UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____ to ____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number 001-38502

EURODRY LTD.
(Exact name of Registrant as specified in its charter)

Not applicable
(Translation of Registrant's name into English)

Republic of the Marshall Islands
(Jurisdiction of incorporation or organization)

4 Messogiou & Evropis Street, 151 24 Maroussi Greece
(Address of principal executive offices)

Tasos Aslidis, Tel: (908) 301-9091, info@eurodry.gr, EuroDry Ltd. c/o Tasos Aslidis,
11 Canterbury Lane, Watchung, NJ 07069
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, $0.01 par value	EDRY	Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report

2,902,620 common shares, $0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer”, “accelerated filer”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer
☐	☐	☐
		Emerging growth company
		☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☒

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☒ U.S. GAAP

☐ International Financial Reporting Standards as issued by the International Accounting Standards Board.

☐ Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

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FORWARD-LOOKING STATEMENTS

EuroDry Ltd. and its wholly owned subsidiaries, or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This annual report contains forward-looking statements. These forward-looking statements include information about possible or assumed future results of our operations or our performance. Words such as “expects,” “intends,” “plans,” “believes,” “anticipates,” “estimates,” and variations of such words and similar expressions are intended to identify the forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding:

- our future operating or financial results;
- future, pending or recent acquisitions, joint ventures, business strategy, areas of possible expansion, and expected capital spending or operating expenses;
- drybulk industry trends, including charter rates and factors affecting vessel supply and demand;
- fluctuations in our stock price as a result of volatility in securities markets;
- the impact of increasing scrutiny and changing expectations from investors, lenders, charterers and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies;
- our financial condition and liquidity, including our ability to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- fluctuations in currencies, interest rates and foreign exchange rates, and the impact of the discontinuance of remaining London Interbank Offered Rate tenors for US Dollars, or LIBOR, after June 30, 2023 on any of our debt referencing LIBOR in the interest rate;
- availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- our expectations about the availability of vessels to purchase or the useful lives of our vessels;
- our expectations relating to dividend payments and our ability to make such payments;
- our ability to leverage to our advantage the relationships and reputations of Eurobulk Ltd. (“Eurobulk”) and Eurobulk (Far East) Ltd. Inc. (“Eurobulk FE”), our affiliated ship management companies (each a “Manager” and together, the “Managers”), in the drybulk shipping industry;
- changes in seaborne and other transportation patterns;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from future litigation;
- global and regional political conditions;
- acts of terrorism and other hostilities, including piracy;
- the severity and duration of natural disasters or public health emergencies, including the spread of coronavirus (“COVID-19”); and
- other factors discussed in the section titled “Risk Factors.”

WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS ANNUAL REPORT, EXCEPT AS REQUIRED BY LAW, OR THE DOCUMENTS TO WHICH WE REFER YOU IN THIS ANNUAL REPORT, TO REFLECT ANY CHANGE IN OUR EXPECTATIONS WITH RESPECT TO SUCH STATEMENTS OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY STATEMENT IS BASED.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Please note: Throughout this report, all references to "we," "our," "us" and the "Company" refer to EuroDry Ltd. and its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Unless otherwise indicated, all references to "dollars" and "$" in this report are to, and amounts are presented in, U.S. dollars.

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Any investment in our common stock involves a high degree of risk. You should consider carefully the following factors, as well as the other information set forth in this annual report, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate to the securities market for, and ownership of, our common stock. Any of the described risks could significantly and negatively affect our business, financial condition, operating results and common stock price. The following risk factors describe the material risks that are presently known to us.

Risk Factors Summary

- The uncertainties in global and regional demand for dry bulk trade;
- The volatile drybulk shipping market and difficulty finding profitable charters for our vessels;
- Fluctuations in our stock price as a result of volatility in securities markets;
- The impact of the COVID-19 pandemic and efforts throughout the world to contain its spread, including possible delays due to the quarantine of vessels and crew, as well as government-imposed shutdowns;
- Our ability to comply with various financial and collateral covenants in our credit facilities;
- Uncertainties related to the market value of our vessels;
- Uncertainties related to the supply and demand of drybulk vessels;
- The impact of increasing scrutiny and changing expectations from investors, lenders, charterers and other market participants with respect to our ESG policies;

- Disruption of world trade due to rising protectionism or the breakdown of multilateral trade agreements;
- Disruptions in global financial markets relating to terrorist attacks or geopolitical risk and the recent conflict between Russia and Ukraine;
- Uncertainties related to conducting business in China;
- Our dependence on a limited number of customers;
- Our ability to enter into time charters with existing and new customers, and to re-charter our vessels upon the expiry of existing charters;
- Uncertainties related to our counterparties' ability to meet their obligations, which could adversely affect our business;
- Our ability to obtain additional debt financing for future acquisitions of vessels or to refinance our existing debt;
- Uncertainties related to availability of new or secondhand vessels to acquire;
- Uncertainties related to the price of fuel, and our reliance on suppliers;
- Our ability to attract and retain qualified, skilled crew at reasonable cost;
- A potential increase in operating costs associated with the aging of our fleet;
- Our ability to leverage to our advantage our Managers' relationships and reputation within the drybulk shipping industry;
- Our ability to hedge against fluctuations in exchange rates and interest rates;
- Volatility in, and related to the discontinuance of, the London Interbank Offered Rate, ("LIBOR");
- The expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as requirements imposed by classification societies and standards demanded by our charterers;
- The expected cost of, and our ability to comply with, changing environmental and operational safety laws;
- Potential cyber-attacks which may disrupt our business operations;
- Potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists and armed conflicts;
- Potential conflicts of interest between us, our principal officers and our Managers;
- Uncertainties related to compliance with sanctions and embargo laws;
- Uncertainties in the interpretation of corporate law in the Marshall Islands;
- Uncertainties over our ability to pay dividends;
- The expected costs associated with complying with public company regulations; and
- The effect of issuance of preferred stock on the voting power of our shareholders.

Industry Risk Factors

Our future profitability will be dependent on the level of charter rates in the international drybulk shipping industry.

We are an independent shipping company that operates in the drybulk shipping industry. Our profitability is dependent upon the charter rates we are able to charge for our ships. The supply of, and demand for, shipping capacity strongly influences charter rates. The demand for shipping capacity is determined primarily by the demand for the types of commodities carried and the distance that those commodities must be moved by sea. The demand for commodities is affected by, among other things, world and regional economic and political conditions (including developments in international trade, economic slowdowns caused by public health events such as the COVID-19 pandemic, fluctuations in industrial and agricultural production and armed conflicts), environmental concerns, weather patterns, and changes in seaborne and other transportation costs. The size of the existing fleet in a particular market, the number of new vessel deliveries, the scrapping of older vessels and the number of vessels out of active service (i.e., laid-up, drydocked, awaiting repairs or otherwise not available for hire) determine the supply of shipping capacity, which is measured by the amount of suitable tonnage available to carry cargo.

In addition to the prevailing and anticipated charter rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleet in the market and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions. Some of these factors may have a negative impact on our revenues and net income.

The cyclical nature of the shipping industry may lead to volatile changes in freight rates, which may reduce our revenues and negatively affect our results of operations.

Over the period 2018 to 2022, the BDI (Baltic Drybulk Index, an index that reflects the average daily equivalent rate of renting a vessel and operating crew) fluctuated between 1,353 points on average in 2018 and 2019 respectively, and an average of 1,066 points in 2020, an average of 2,943 points in 2021 and an average of 1,933 points in 2022. In 2018, the index fluctuated between 1,082 points in February and 1,772 points in July before closing at 1,271 points. The year 2019 began in a gloomy fashion with the BDI receding to 595 points by mid-February (-58% since the previous peak). By September, it had recovered to 2,518 points, which was the maximum point in the year, but subsided again and closed the year at 1,090 points. During the first half of 2020, the COVID-19 pandemic caused a further decline in bulker demand, driving the index down to well under 500 points on several occasions. The index fluctuated quite significantly, as congestion delays, further slow steaming, scrubber retrofits and the Australia-China trade war created extra volatility in the market. The index hit rock bottom, closing in at 393 points in May 2020, before miraculously starting to climb in June 2020 reaching a high of 2,097 points by October 2020. However, the index dropped to 1,366 points by the end of that year. 2021 was a very strong year for the dry bulk market compared to the last decade, as the pandemic, low orderbook and high demand for drybulk trade created a more favorable market environment. In March 2021, the BDI stood at 2,046 points, which skyrocketed to 5,650 points in October 2021 before dropping again to 2,217 by the end of the year, due to higher energy prices and reduced demand for iron ore from China. After a 176% annual increase in 2021, the BDI fell by 34% in 2022, being the largest drop since the end of the previous cycle in 2015 when it also fell 35%. The drybulk shipping market faced significant headwinds in 2022 on the back of geopolitical uncertainties, China's zero-COVID containment policy and a weaker global economic outlook. The BDI fluctuated from a low of 965 points to a high of 3,369 points, before closing the year at 1,515 points. The bulkcarrier market has started 2023 on a weaker note, with seasonal trends intensifying wider demand and economic headwinds, impacts on consumer act and reduced port congestion. The average BDI as of March 31, 2023 stood at 1,389 points.

The continued volatility in dry bulk charter rates is mostly due to various factors affecting demand for and supply of vessels, including the lack of trade financing for purchases of commodities carried by sea, which may result in a significant decline in cargo shipments, trade disruptions caused by natural disasters, and increased newbuilding deliveries. In addition, the COVID-19 pandemic has resulted in disruptions to industrial production and supply chains across the world, which have caused uncertainty in the short-term outlook for the sector. There is no certainty that the dry bulk charter market will experience further recovery over the next months and the market could decline from its current level, especially as the war between Ukraine and Russia continues and energy prices continue to climb, which may reduce economic growth.

Rates in the drybulk market are influenced by the balance of demand for and supply of vessels and may decline again in the future. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are unpredictable, and as a result so are the rates at which we can charter our vessels. In addition, we may not be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our shareholders.

Some of the factors that influence demand for vessel capacity include:

- supply of, and demand for, drybulk commodities;
- changes in the exploration or production of energy resources and commodities, and the resulting changes in the international pattern of trade;
- global and regional economic and political conditions, including armed conflicts and terrorist activities, such as the ongoing war between Russia and Ukraine, which began in February 2022;
- pandemics, such as the outbreak of COVID-19 originating in China in 2020;
- embargoes and strikes;
- the location of regional and global exploration, production and manufacturing facilities;
- availability of credit to finance international trade;
- the location of consuming regions for energy resources and commodities;
- the distance drybulk commodities are to be moved by sea;
- environmental and other regulatory developments;
- currency exchange rates;
- changes in global production and manufacturing distribution patterns of finished goods that utilize drybulk commodities;
- changes in seaborne and other transportation patterns; and
- weather and other natural phenomena.

Some of the factors that influence the supply of vessel capacity include:

- the number of newbuilding orders and deliveries including slippage in deliveries;
- the scrapping rate of older vessels;
- the price of steel and other materials;
- port and canal congestion;
- changes in environmental and other regulations that may limit the useful life of vessels;
- the price of fuel;
- vessel casualties;
- the number of vessels that are out of service; and
- changes in global commodity production.

We anticipate that the future demand for our drybulk vessels and the charter rates of the drybulk market will be dependent upon economic recovery and growth in the United States, Europe, Japan, China, India and the overall world economy, as well as seasonal and regional changes in demand and changes to the capacity of the world fleet. The capacity of the world fleet may increase and economic growth may not continue. Adverse economic, political, social or other developments could also have a material adverse effect on our business and results of operations.

The market value of our vessels can fluctuate significantly, which may adversely affect our financial condition, cause us to breach financial covenants, result in the incurrence of a loss upon disposal of a vessel or increase the cost of acquiring additional vessels.

The value of our vessels may fluctuate, adversely affecting our earnings and liquidity and causing us to breach our secured credit agreements.

The fair market values of our vessels are related to prevailing charter rates. While the fair market value of vessels and the freight charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effect of charter rates on market values of ships can vary. A decrease in the market values of our vessels could limit the amount of funds that we can borrow or trigger certain financial covenants under our current or future credit facilities, and we may incur a loss if we sell vessels following a decline in their market value. Furthermore, a decrease in the market value of our vessels could require us to raise additional capital at costs unfavorable to our shareholders in order to remain compliant with our loan covenants, or could result in foreclosure of our vessels and adversely affect our earnings and financial condition.

The market value of our vessels may increase or decrease depending on the following factors:

- general economic and market conditions affecting the shipping industry;
- supply of drybulk vessels, including newbuildings;
- demand for drybulk vessels;
- types and sizes of vessels in our fleet;
- scrap values;
- other modes of transportation;
- cost of newbuildings;
- technological advances;
- new regulatory requirements from governments or self-regulated organizations;
- competition from other shipping companies; and
- prevailing level of charter rates.

As vessels grow older, they generally decline in value. Due to the cyclical nature of the drybulk shipping industry, if for any reason we sell vessels at a time when prices have fallen, we could incur a loss and our business, results of operations, cash flow, financial condition and ability to pay dividends could be adversely affected.

In addition, we periodically re-evaluate the carrying amount and period over which vessels are depreciated to determine if events have occurred that would require modification to such assets' carrying values or their useful lives. A determination that a vessel's estimated remaining useful life or fair value has declined below its carrying amount could result in an impairment charge against our earnings and a reduction in our shareholders' equity.

Our secured loan agreements, which are secured by mortgages on our vessels, contain various financial covenants. Any change in the assessed market value of any of our vessels might also cause a violation of the covenants of each secured credit agreement, which, in turn, might restrict our cash and affect our liquidity. Among those covenants are requirements that relate to our net worth, operating performance and liquidity. For example, there is a maximum fleet leverage covenant that is based, in part, upon the market value of the vessels securing the loans, as well as requirements to maintain a minimum ratio of the market value of our vessels mortgaged thereunder to our aggregate outstanding balance under each respective loan agreement. If the assessed market value of our vessels declines below certain thresholds, we may violate these covenants and may incur penalties for breach of our credit agreements. For example, these penalties could require us to prepay the shortfall between the assessed market value of our vessels and the value of such vessels required to be maintained pursuant to the secured credit agreement, or to provide additional security acceptable to the lenders in an amount at least equal to the amount of any shortfall. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet. Furthermore, we may enter into future loans, which may include various other covenants, in addition to the vessel-related ones, that may ultimately depend on the assessed values of our vessels. Such covenants could include, but are not limited to, minimum fair net worth covenants.

An over-supply of drybulk carrier capacity relative to the demand for it may lead to reductions in charter rates and profitability and may require us to raise additional capital in order to remain compliant with our loan covenants and affect our ability to pay dividends in the future.

The market supply of drybulk carriers has been volatile in the last few years. Although, the number of drybulk vessels on order is at a historically low level, it can quickly increase if multiple orders by industry participants and outside investors are placed. Expressed as percentage of the fleet, the drybulk orderbook reached a historically high level of more than 80% in November 2008 from a level of 25% of the fleet two years before. When the majority of the orderbook was delivered following the financial crisis of 2008, the resulting oversupply negatively affected the market charter rates. Ordering sprees of lesser magnitude occurred also in 2014 and 2018, with the orderbook to fleet ratio reaching 25% and 12%, respectively. Despite a number of order cancellations, delivery delays and an increased scrapping rate for drybulk vessels during 2015 and 2016, charter rates were also negatively influenced. In 2017 drybulk scrapping rates halved year on year, returning to their five-year average and, in 2018, scrapping of the world drybulk fleet declined significantly, 70% year on year to 4.4 million dwt. In 2019 scrapping rates increased by about 76% to 7.8 million dwt, followed by a precipitous 95% increase year on year to 15.3 million dwt in 2020 as a result of lower charter rates. In 2021, scrapping dropped by 66% year on year to 5.19 million dwt, as the market improved. In 2020, fleet growth stood at 4% year on year, with a slight decline in 2021 to 3.8%. In 2022 fleet growth declined to 2.8% and, according to industry sources, is projected to decline even further in 2023 (1.9%) and 2024 (0.4%) year on year. In general, if the number of new ships delivered exceeds the number of vessels being scrapped and lost, vessel capacity will increase. If the supply of vessel capacity increases but the demand for vessel capacity does not increase correspondingly, charter rates and vessel values could materially decline. As of March 31, 2023, as reported by industry sources, the capacity of the worldwide drybulk fleet was approximately 980.9 million dwt with another 67.34 million dwt, or about 6.87% of the present fleet capacity, on order. Despite the orderbook being at historically low levels, a sudden drop in demand for dry bulk commodity products may have a negative impact on charter rates.

If such a rate decline occurs upon the expiration or termination of our current charters, we may only be able to re-charter those vessels at reduced rates or we may not be able to charter these vessels at all. A number of the drybulk carrier charters we renewed or concluded during 2016 and 2017 were at unprofitable rates and were entered into because they resulted in lower losses than would have resulted had we put the vessels in lay-up; charter rates improved and reached profitable levels during most of 2018 but remained volatile and fluctuated significantly during the year, which continued into 2019 and most of 2020. Despite this volatility, we were able to secure short and long-term time charters for our vessels throughout 2020 and 2021. In 2021, even though market conditions remained somewhat volatile, demand for dry bulk commodities increased. Throughout 2021 almost half of our fleet was employed under index linked charters that are open to market conditions, while the rest were employed under much higher charter rates than the previous two years. At the beginning of 2022, four vessels were employed under index linked charters, which were later reduced to two by the end of the year, while the rest were employed under short time charters. As of March 31, 2023, two of our vessels are employed under index linked charters, while the rest of the fleet is employed under short term time charters. Any inability to enter into more profitable charters may require us to raise additional capital in order to remain compliant with our loan covenants and may also affect our ability to pay dividends in the future.

A decrease in the level of imports of raw materials and other commodities will reduce demand for our ships and, in turn, harm our business, results of operations and financial condition.

The employment of our vessels and our revenues depend on the international shipment of raw commodities primarily to China, Japan, South Korea and Europe from North and South America, India and Australia. Any reduction in or hindrance to the demand for such materials could negatively affect demand for our vessels and, in turn, harm our business, results of operations and financial condition. For instance, the government of China has implemented economic policies aimed at reducing the consumption of coal which may, in turn, result in a decrease in shipping demand. Similarly, the COVID-19 pandemic resulted in reduced economic activity due to shutdowns, while the conflicts between Russia and Ukraine have caused more turbulence in the commodity markets.

Our international operations expose us to the risk that increased trade protectionism will harm our business. If global economic challenges exist, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, the leaders of the United States have indicated that the United States may seek to implement more protective trade measures. The results of the 2020 presidential election in the United States have created significant uncertainty about the future relationship between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. For example, in March 2018, former President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and in January 2019, the United States announced sanctions against Venezuela, which may have an effect on its oil output, and in turn, affect global oil supply. In February 2022, at the onset of the Russia-Ukraine conflict, economic and trade sanctions were imposed against Russia, some of which have had large economic consequences on a global scale. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade.

Increasing trade protectionism in the markets that our customers serve has caused and may continue to cause an increase in: (a) the cost of goods exported from Asia Pacific, (b) the length of time required to deliver goods from the region and (c) the risks associated with exporting goods from the region. Such increases may also affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs.

The U.S. government has recently made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies, including recently-imposed tariffs affecting certain Chinese industries. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition, and results of operations.

Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our shareholders.

Adverse economic conditions, especially in the Asia Pacific region, the European Union or the United States, could harm our business, results of operations and financial condition.

China has been one of the world’s fastest growing economies in terms of gross domestic product, or GDP, which has increased the demand for shipping. However, even prior to the COVID-19 pandemic, China’s high rate of real GDP growth had already reached a plateau, posting a 0.5 percentage points decline, year on year, in 2019, followed by a tremendous decline of 3.8 percentage points in 2020 due to the COVID-19 pandemic. With a global economic recovery under way in 2021, China’s GDP increased by 6.1 percent, to stand at 8.4 percentage points. The rapid spread of COVID infections in China along with its troubled property market, dampened growth significantly in 2022, expanding by a mere 3.0 percent. Nevertheless, Chinese economy is set for another rebound in 2023 as the recent lifting of pandemic sanctions has paved the way for a faster-than-expected recovery, with a projected GDP growth of 5.2 percentage points in 2023 and a further 4.5 percent in 2024. In addition, rising interest rates to tame inflation and the war between Russia and Ukraine continue to impact economic activity. The United States has imposed tariffs on certain goods and may seek to implement more protectionist trade measures to protect and enhance its domestic economy. The European Union, or the EU, and certain of its member states are facing significant economic and political challenges, including a risk of increased protectionist policies. The recent trade and financial sanctions imposed on Russia have also directly impacted prices and economic activity. Our business, results of operations and financial condition will likely be harmed by any significant economic downturn and economic instability in the Asia Pacific region, including China, or in the EU or the United States.

The continuing COVID-19 pandemic and the spread of new variants may have negative effects on the global economy and our business, including our ability to rotate our crew and provide technical support from in-house teams to our vessels which would affect our operations and financial results.

The outbreak of the COVID-19 virus has led a number of countries, ports and organizations to take measures against its spread, such as quarantines and restrictions on travel. Such measures were taken initially in China, including Chinese ports, where we conduct a significant amount of our operations, and have since expanded to other countries globally covering most ports where we conduct business. These measures have and will likely continue to cause severe trade disruptions due to, among other things, the unavailability of personnel, supply chain disruption, interruptions of production and closure of businesses and facilities and reduced consumer demand. While many of these measures have since been relaxed, we cannot predict whether and to what degree such measures will be reinstituted in the event of any resurgence in the COVID-19 virus or any variants thereof. Even though international travel has been less constrained, any disruptions could impact the cost of rotating our crew, and our ability to maintain a full crew synthesis onboard all our vessels at any given time. It may also be difficult for our in-house technical teams to travel to shipyards to observe vessel maintenance, and we may need to hire local experts to conduct work we ordinarily address in-house, as happened for a period of time in the last three years. These local experts may vary in skill and are difficult to supervise remotely.

The ongoing spread of COVID-19 and emergence of new variants may negatively affect our business and operations, as well as our financial position and prospects. The severe impact of the pandemic on global economic activity resulted in a global recession, and negatively affected global demand for the seaborne transportation of drybulk cargoes in the first half of 2020, before demand started to recover in the second half of 2020 until the first half of 2022. If such conditions persist and again negatively affect demand for seaborne transportation of drybulk cargoes, it could have a material adverse effect on our ability to secure charters at profitable rates, in a timely fashion without a period of off-hire, or at all, particularly for our vessels with short term charters in 2023, as demand for additional charters could be significantly affected. Of our ten vessels as of March 31, 2023, eight vessels are employed on time charters expiring in 2023. Drybulk charter rates were volatile and declined significantly in the first half of 2020 before astonishingly improving until the first half of 2022. Having considerably declined since then, they may continue to decline, including if the negative impacts of inflation, the war in Ukraine and the pandemic on global economic activity persist for longer than anticipated, or their easing impacts demand for the shipping of drybulk goods.

Any prolonged shutdown in the global economy may again negatively impact the worldwide demand for drybulk cargo, as it did in the first half of 2020, adversely affect the liquidity and financial position of our charterers and may decrease employment rates for our vessels. This could result in reductions in our revenue and the market value of our vessels, which could materially adversely affect our business and results of operations.

Eurozone`s potential inability to deal with the sovereign debt issues of some of its members could have a material adverse effect on the profitability of our business, financial condition and results of operations.

Despite the efforts of the European Council since 2011 to implement a structured financial support mechanism for Eurozone countries experiencing financial difficulties, questions remain about the capability of a number of member countries to refinance their sovereign debt and meet their debt obligations, especially, as the COVID-19 pandemic resulted in lower economic growth in almost all countries. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (or the "ESM"), which will be activated by mutual agreement to provide external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for Eurozone countries could reduce the overall demand for our services. These potential developments, or market perceptions concerning these and related issues, could have a material adverse effect on our financial position, results of operations and cash flow.

Effects and events related to the Greek sovereign debt crisis may adversely affect our operating results.

Greece has experienced a macroeconomic downturn in recent years, from which it has been slowly recovering as a result of the sovereign debt crisis and the related austerity measures implemented by the Greek government. Eurobulk Ltd.'s ("Eurobulk," a Manager of the Company) operations in Greece may be subjected to new regulations or regulatory action that may require us to incur new or additional compliance or other administrative costs and may require that we or Eurobulk pay to the Greek government new taxes or other fees. We and Eurobulk also face the risk that strikes, work stoppages, civil unrest and violence within Greece may disrupt our and Eurobulk's shore-side operations located in Greece. The Greek government's taxation authorities have increased their scrutiny of individuals and companies to secure tax law compliance. If economic and financial market conditions remain uncertain, persist or deteriorate further, the Greek government may impose further changes to tax and other laws to which we and Eurobulk may be subject or change the ways they are enforced, which may adversely affect our business, operating results, and financial condition.

The drybulk industry is highly competitive, and we may be unable to compete successfully for charters with established companies or new entrants that may have greater resources and access to capital, which may have a material adverse effect on our business, prospects, financial condition, liquidity and results of operations.

The drybulk industry is highly competitive, capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom may have greater resources and access to capital than we have. Competition among vessel owners for the seaborne transportation of drybulk cargo can be intense and depends on the charter rate, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, many of our competitors with greater resources and access to capital than we have could operate larger fleets than we may operate and thus be able to offer lower charter rates or higher quality vessels than we are able to offer. If this were to occur, we may be unable to retain or attract new charterers on attractive terms or at all, which may have a material adverse effect on our business, prospects, financial condition, liquidity and results of operations.

Changes in the economic and political environment in China and policies adopted by the Chinese government to regulate China`s economy may have a material adverse effect on our business, financial condition and results of operations.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development, (or "OECD"), in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year State Plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. The Chinese government may not continue to pursue a policy of economic reform. The level of imports to and exports from China could be adversely affected by the nature of the economic reforms pursued by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, all of which could adversely affect our business, operating results, financial condition and cash flows.

We conduct business in China, where the legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

Some of our vessels may be chartered to Chinese customers and from time to time on our charterers' instructions, our vessels may call on Chinese ports. Such charters and voyages may be subject to regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Applicable laws and regulations in China may not be well publicized and may not be known to us or to our charterers in advance of us or our charterers becoming subject to them, and the implementation of such laws and regulations may be inconsistent. Changes in Chinese laws and regulations, including with regards to tax matters, or changes in their implementation by local authorities could affect our vessels if chartered to Chinese customers as well as our vessels calling to Chinese ports and could have a material adverse impact on our business, financial condition and results of operations.

We may become dependent on spot, short-term time charters or index linked charters in the volatile shipping markets, which may result in decreased revenues and/or profitability.

Almost all of our vessels are currently under time charters that are short term or linked to market indices (typically, those of the Baltic Exchange) which reflect the spot market. The spot market is highly competitive and rates within this market are subject to volatile fluctuations, while medium and longer term time charters provide income at pre-determined rates over more extended periods of time. In addition, if we decide to spot charter our vessels or time charter them for short periods typically equal to the length of a single voyage (voyage charters) as opposed to using medium or long term time charters (even index-linked), we may not be able to keep all our vessels fully employed in these short-term markets. In addition, we may not be able to predict whether future spot rates will be sufficient to enable our vessels to be operated profitably. A significant decrease in charter rates has previously affected and could continue affecting the value of our fleet and could adversely affect our profitability and cash flows with the result that our ability to pay debt service to our lenders and pay out dividends to our shareholders could be adversely affected.

We may have difficulty securing profitable employment for our vessels if their charters expire in a depressed market.

Nine out of ten of our vessels are under time charters, seven of which are scheduled to expire during 2023 and two of which are scheduled to expire during 2024 and 2025, respectively. When the current charters of our vessels are due for renewal, we may be unable to re-charter these vessels at better rates if the current market rates do not improve or we might not be able to charter them at all. Although we do not receive any revenues from our vessels while not employed, we are required to pay expenses necessary to maintain the vessels in proper operating condition, insure them and service any indebtedness secured by such vessels. If we cannot re-charter our vessels on time charters or trade them in the spot market profitably, our results of operations and operating cash flow will be adversely affected. Despite the fact that as of March 31, 2023 all but one of our vessels are employed, we may be forced to lay up vessels if rates drop to levels below daily running expenses or if we are unable to find employment for the vessels for prolonged periods of time.

We will not be able to take advantage of potentially favorable opportunities in the current spot market with respect to vessels employed on time charters.

Although, as of March 31, 2023, seven of our vessels are employed under time charters with fixed charter rates with remaining terms of one month to two months, based on the minimum duration of the charter contracts, while two vessels are chartered under index-linked charters, we may have more vessels under fixed rate time charters in the future. Although time charters provide relatively steady streams of revenue, vessels committed to time charters may not be available for spot charters during periods of increasing charter hire rates, when spot charters might be more profitable. If we cannot re-charter these vessels on time charters or trade them in the spot market profitably, our results of operations and operating cash flow may suffer. We may not be able to secure charter rates in the future that will enable us to operate our vessels profitably.

The current state of global financial markets and current economic conditions may adversely impact our ability to obtain additional financing on acceptable terms or at all, which may hinder or prevent us from expanding our business.

Global financial markets and economic conditions have been, and continue to be, volatile. Beginning in February 2020, partially due to fears associated with the spread of COVID-19, global financial markets, and starting in late February, financial markets in the United States, experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn continued as COVID-19 continued to spread. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. In response to the outbreak, governments around the world shut workplaces, restricted travel, and put in place other measures which resulted in a dramatic decrease of economic activity, including a reduction of goods imported and exported worldwide. While most economies have reopened, the continuous “waves” of COVID-19 infections have forced and might continue to cause governments to impose further restrictions of economic activity. Such measures have and will likely continue to cause severe trade disruptions. This continuing volatility may negatively affect the general willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been and may continue to be negatively affected by this decline in lending. In addition, the current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices which will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that additional financing will be available, if needed, and to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

Global economic conditions may continue to negatively impact the drybulk shipping industry.

Major market disruptions and adverse changes in market conditions and regulatory climate in China, the United States, the European Union and worldwide may adversely affect our business.

Chinese drybulk imports have accounted for the majority of global drybulk transportation growth annually over the last decade. Accordingly, our financial condition and results of operations, as well as our future prospects, would likely be hindered by an economic downturn in any of these countries or geographic regions. In recent years China and India have been among the world’s fastest growing economies in terms of gross domestic product, and any economic slowdown in the Asia Pacific region, particularly in China or India, may adversely affect demand for seaborne transportation of our products and our results of operations. Moreover, any deterioration in the economy of the United States or the European Union, may further adversely affect economic growth in Asia.

Economic growth is expected to slow, including due to supply-chain disruption, the recent surge in inflation and related actions by central banks and geopolitical conditions, with a significant risk of recession in many parts of the world in the near term. In particular, an adverse change in economic conditions affecting China, Japan, India or Southeast Asia generally could have a negative effect on the drybulk market.

Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies may impose additional costs on us or expose us to additional risks.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Companies which do not adapt to or comply with investor, lender or other market participant expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and/or stock price of such a company could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us. If we do not meet these standards, our business and/or our ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude shipping companies, such as us, from their investing portfolios altogether due to environmental, social and governance factors. These limitations in both the debt and equity capital markets may affect our ability to develop, as our plans for growth may include accessing the equity and debt capital markets. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. Further, it is likely that we will incur additional costs and require additional resources to monitor, report and comply with wide ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition.

We are subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as MARPOL, including the designation of emission control areas, ECAs, thereunder, the International Convention on Load Lines of 1966, or the LL Convention, the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocol in 1976, 1984 and 1992, and amended in 2000, and generally referred to as the CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Water Act, or the CWA, the U.S. Clean Air Act, or the CAA, the U.S. Outer Continental Shelf Lands Act, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and European Union regulations. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels.

Furthermore, events like the explosion of the *Deepwater Horizon* and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes. Thus, we may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale price or useful life of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. There can be no assurance that any such insurance we have arranged to cover certain environmental risks will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends. We currently maintain, for each of our vessels, pollution liability coverage insurance of $1.0 billion per incident. If the damages from a catastrophic spill exceeded our insurance coverage, it would severely and adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends.

Environmental requirements can also require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including clean up obligations and natural resource damages in the event that there is a release of bunkers or hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of hazardous substances associated with our existing or historic operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of our vessels.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the ISM Code set forth in Chapter IX of SOLAS. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. We rely upon the safety management system that we and our technical managers have developed for compliance with the ISM Code. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Currently, each of our vessels, Eurobulk and Eurobulk FE, our affiliated ship management companies, are ISM Code-certified, but we may not be able to maintain such certification indefinitely.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the United Nations' International Maritime Organization (the "IMO"). The document of compliance (the "DOC") and the safety management certificate (the "SMC") are renewed as required.

In addition, vessel classification societies also impose significant safety and other requirements on our vessels. In complying with current and future environmental requirements, vessel-owners and operators may also incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require us to incur significant capital expenditures on our vessels to keep them in compliance.

The operation of our vessels is also affected by other government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. As mentioned above, we are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations. See Item 4: "Information on the Company – Business Overview – Environmental and Other Regulations in the Shipping Industry" for more information.

Regulations relating to ballast water discharge may adversely affect our revenues and profitability.

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention ("IOPP") renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards on or after September 8, 2017. We have implemented the required ballast water treatment systems on all of our vessels and are in compliance with all the applicable regulations.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit ("VGP") program and U.S. National Invasive Species Act ("NISA") are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018, requires that the U.S. Environmental Protection Agency ("EPA") develop national standards of performance for approximately 30 discharges, similar to those found in the VGP within two years. On October 26, 2020, the EPA published a Notice of Proposed Rulemaking for Vessel Incidental Discharge National Standards of Performance under VIDA. Within two years after the EPA publishes its final Vessel Incidental Discharge National Standards of Performance, the U.S. Coast Guard must develop corresponding implementation, compliance, and enforcement regulations regarding ballast water. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs. Until the EPA publishes its final standards and the EPA issues its corresponding implementing regulations, interim requirements established through the EPA 2013 Vessel General Permit (VGP) and the United States Coast Guard ("USCG") ballast water regulations, and any applicable state and local government requirements, continue to apply.

Regulations relating to low sulfur emissions that came into effect on January 1, 2020 may adversely affect our revenues and profitability.

Under maritime regulations that came into effect on January 1, 2020, ships will have to reduce sulfur emissions, for which the principal solutions are the use of scrubbers or buying fuel with low sulfur content which is more expensive than standard marine fuel. We do not currently intend to install scrubbers on our fleet. Our fuel costs and fuel inventories have increased as a result of these sulfur emission regulations, but the effect is limited by the fact that our vessels are under time charter agreements and these costs are paid by the charterer. However, fuel costs are taken into account by the charterer in determining the amount of time charter hire and, therefore, fuel costs also indirectly affect time charter rates. Low sulfur fuel is more expensive than standard marine fuel containing 3.5% sulfur content and may become more expensive or difficult to obtain as a result of increased demand, which may have a material adverse effect on our business, results of operations, cash flows and financial condition.

If our vessels fail to maintain their class certification and/or fail any annual survey, intermediate survey, drydocking or special survey, those vessels would be unable to carry cargo, thereby reducing our revenues and profitability and violating certain covenants in our loan agreements.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Our vessels are currently classed with Bureau Veritas, Lloyds Register, Det Norske Veritas ("DNV"), Nippon Kaiji Kyokai and Registry Italiano Navale ("Rina"). ISM and International Ship and Port Facilities Security ("ISPS") certifications have been awarded to the vessels by Bureau Veritas or Liberian Flag Administration and to the Managers by Bureau Veritas.

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked at least once or, more typically, twice within a five-year survey cycle for inspection of the underwater parts of such vessel (younger vessels can perform intermediate surveys "in-water", i.e. without drydocking).

If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable. That status could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society that is a member of the International Association of Classification Societies ("IACS"). All of our vessels that we have purchased, and may agree to purchase in the future, must be certified as being "in class" prior to their delivery under our standard purchase contracts and memorandum of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel. We have all of our vessels, and intend to have all vessels that we acquire in the future, classed by IACS members. See Item 4: "Information on the Company – Business Overview – Environmental and Other Regulations in the Shipping Industry" for more information.

Rising fuel prices may adversely affect our results of operations and the marketability of our vessels.

Fuel (bunkers) is a significant, if not the largest, operating expense for many of our shipping operations when our vessels are under voyage charter. When a vessel is operating under a time charter, these costs are paid by the charterer. However, fuel costs are taken into account by the charterer in determining the amount of time charter hire and, therefore, fuel costs also indirectly affect time charter rates. Fuel prices are highly based and are highly correlated to the price of oil. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, such as the recent war between Russia and Ukraine, which remains ongoing as of the date of this annual report, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries ("OPEC") and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Fuel prices had been at historically high levels through mid-2014, but by the first quarter of 2016 fuel prices had fallen by more than 50%. Between 2018 and 2019, the price of fuel fluctuated throughout the years, to reach a low of $42.53/bbl (for West Texas Intermediate, "WTI") in December 2018 to $61.0/bbl in December 2019. By February 1, 2020 the price of oil dropped to $52.10/bbl, as concerns over the COVID-19 pandemic started emerging, and further dropped to $18.44/bbl by April 2020, after OPEC and Russia failed to agree on maintaining production cuts, and Saudi Arabia increased its own production. As the COVID-19 pandemic continued to spread around the world, oil prices dropped to historical lows during 2020 and closed the year at $43.52/bbl. Oil traded lower throughout the year, as rising COVID-19 infections and new strains sparked demand concerns. Prices edged slightly higher in December 2020, ranging around $48/bbl, upon rolling out of the COVID-19 vaccines, coupled by Saudi Arabia's announcement regarding a large output reduction for February and March 2021. In January 2021, oil traded at around $52/bbl. In February 2021, the average WTI stood at $59/bbl, the highest value since the start of the pandemic, with hopes of steady vaccination roll out and OPEC production limits having led to cautious optimism at global markets. Prices fluctuated throughout the year, with the annual average price reaching about $68/bbl; a significant increase compared to the 2020 average. Since then, we have seen a significant increase, after Western countries imposed sanctions on Russia, raising fears of supply disruptions from one of the largest producers of oil and gas. During 2022, oil prices fluctuated significantly. Following Russia's invasion in Ukraine and fears over low crude oil inventories, prices rose to over $130/bbl in March 2022. Oil prices remained high and well above their 10-year average of ca. $66/bbl (for WTI) throughout 2022. Prices starting waning towards the end of 2022 and the beginning of 2023, to around $80/bbl and currently stand at around the same levels. Oil prices have come under pressure on the back of economic slowdown fears, and the possibility that the central banks will continue to raise interest rates at a higher rate, in response to sticky inflation. Any increases in the price of fuel, especially if exceeding its 10-year average may adversely affect our operations, particularly if such increases are combined with lower drybulk rates.

Upon redelivery of vessels at the end of a period time or trip time charter, we may be obligated to repurchase bunkers on board at prevailing market prices, which could be materially higher than fuel prices at the inception of the charter period. We may also be obligated to value our bunkers inventories on board at the end of a period time or trip time charter, at a lower value than the acquisition value, if prevailing market prices are significantly lower at the time of the vessel redelivery from the charterer.

Rising crew costs may adversely affect our profits.

Crew costs are a significant expense for us under our charters. There is a limited supply of well-qualified crew. We generally bear crewing costs under our charters. An increase in the world vessel operating fleet will likely result in higher demand for crews which, in turn, might drive crew costs further up. Moreover, the COVID-19 pandemic has affected the rotation of our crew members due to quarantine restrictions placed on embarking and disembarking on our vessels. Any such disruptions could impact the cost of rotating our crew. Any increase in crew costs may adversely affect our profitability, especially if such increase is combined with lower drybulk rates.

Maritime claimants could arrest or attach our vessels, which would interrupt our business or have a negative effect on our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, lenders and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arresting or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums to have the arrest or attachment lifted which would have a material adverse effect on our financial condition and results of operations.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien, and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one of our vessels for claims relating to another of our vessels.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims, which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

A government could requisition for title or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Even if we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of the payment would be uncertain. Government requisition of one or more of our vessels could have a material adverse effect on our financial condition and results of operations.

World events outside our control may negatively affect our ability to operate, thereby reducing our revenues and results of operations or our ability to obtain additional financing, thereby restricting the implementation of our business strategy.

We operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the continued global trade war between the U.S. and China, current political instability in the Middle East, terrorist or other attacks, war or international hostilities. Terrorist attacks such as the attacks in the United States on September 11, 2001 and similar attacks that followed, the continuing response to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect our business, results of operations and financial condition. The continuing conflicts in Iraq, Iran, Afghanistan, Libya, Egypt, Ukraine, Syria, amongst other countries, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. More recently, the trade and financial sanctions imposed on Russia due to their invasion in Ukraine, have caused turbulence in the global markets. These uncertainties could also have a material adverse effect on our ability to obtain additional financing on terms acceptable to us or at all. Terrorist attacks on vessels may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility and turmoil of the financial markets in the United States of America and globally and could result in an economic recession in the United States of America or the world. Additionally, any escalations between the North Atlantic Treaty Organization countries and Russia could result in retaliation from Russia that could potentially affect the shipping industry. There may also be long-term adverse impacts from the COVID-19 pandemic crisis which negatively affect industrial production. In addition, the continued global trade war between the U.S. and China, including the introduction by the U.S. of tariffs on selected imported goods, mainly from China, may provoke further retaliation measures from the affected countries which has the potential to impede trade. Any of these occurrences could have a material adverse impact on our financial condition, costs and operating cash flows.

Disruptions in world financial markets and the resulting governmental action could have a material adverse impact on our ability to obtain financing, our results of operations, financial condition and cash flows, and could cause the market price of our common stock to decline.

Europe, the United States and other parts of the world have exhibited weak economic conditions, are exhibiting volatile economic trends or have been in a recession. For example, during the 2008-2009 crisis, the credit markets in the United States experienced sudden and significant contraction, deleveraging and reduced liquidity, and the United States federal government and state governments have since implemented a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Securities and Exchange Commission ("SEC"), other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. A number of financial institutions and especially banks that traditionally provided debt to shipping companies like ours have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. As a result, access to credit markets around the world has been reduced. The extension of Quantitative Easing ("QE"), high levels of Non-Performing Loans ("NPLs") in Europe and stricter lending requirements may reduce bank lending capacity and/or make the terms of any lending more onerous.

We face risks related to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the changes in market conditions and regulatory changes worldwide may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, including proposals to reform the financial system, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, and might cause the price of our common stock on the Nasdaq Capital Market to decline.

In addition, public health threats, such as COVID-19, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, could adversely impact our operations, and the operations of our customers.

If there are further disruptions in world financial markets, we may require substantial additional financing to fund acquisitions of additional vessels and to implement our business plans. Sufficient financing may not be available on terms that are acceptable to us or at all. If we cannot raise the financing we need in a timely manner and on acceptable terms, we may not be able to acquire the vessels necessary to implement our business plans and consequently we may not be able to pay dividends.

We rely on information technology, and if we are unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted and our business could be negatively affected.

We rely on information technology networks and systems to process, transmit and store electronic and financial information; to capture knowledge of our business; to coordinate our business across our operation bases; and to communicate internally and with customers, suppliers, partners and other third-parties. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns, hardware or software failures, power outages, computer viruses, cyberattacks, telecommunication failures, user errors or catastrophic events. Our information technology systems are becoming increasingly integrated, so damage, disruption or shutdown to the system could result in a more widespread impact. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations. If our information technology systems suffer severe damage, disruption or shutdown, and our business continuity plans do not effectively resolve the issues in a timely manner, our operations could be disrupted and our business could be negatively affected. In addition, cyber-attacks could lead to potential unauthorized access and disclosure of confidential information and data loss and corruption. There is no assurance that we will not experience these service interruptions or cyber-attacks in the future. Further, as the methods of cyber-attacks continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cyber-attacks.

Moreover, cyber-attacks against the Ukrainian government and other countries in the region have been reported in connection with the ongoing conflict between Russia and Ukraine. It is possible that such attacks could have collateral effects on global critical infrastructure or financial institutions, which could adversely affect our business, operating results and financial condition. At this time, it is difficult to assess the likelihood of such threat and any potential impact.

The withdrawal of the United Kingdom from the European Union could adversely affect us.

The United Kingdom ("U.K.") referendum on its membership in the EU resulted in the U.K. withdrawing from the EU on January 31, 2020 ("Brexit"). We have activities in the EU, and as a result, we face risks associated with the potential uncertainty and disruptions that may follow Brexit, including volatility in exchange rates and interest rates and potential material changes to the regulatory regime applicable to our business or global trading parties. The framework for the U.K. and Europe's future relationship has been laid out in a Withdrawal Agreement, the final terms of which were agreed on December 24, 2020, and went into effect on January 1, 2021. While the trade agreement reached contemplates zero tariffs and quotas on goods, some aspects relating to financial services have not been agreed upon. Additionally, the end of free movement could significantly disrupt the exchange of people and services between the U.K. and the EU, resulting in the imposition of impediments to trade. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets generally and in the U.K., specifically. While we have limited exposure to the U.K. or the Pound sterling ("GBP"), any of these effects of Brexit, and others we cannot anticipate or that may evolve over time, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we service our debt or could pay dividends.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter rates. To the extent we operate vessels in the spot market, this seasonality may result in quarter-to-quarter volatility in our operating results which could affect our ability to pay dividends to our common shareholders. For example, the drybulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. The celebration of Chinese New Year in the first quarter of each year also results in lower volumes of seaborne trade into China during this period. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. This seasonality has not materially affected our operating results and the amount of available cash with which we service our debt or could pay dividends, because our fleet is currently employed on period time charters, but this seasonality may materially affect our operating results if our vessels are employed in the spot market in the future.

Reliance on suppliers may limit our ability to obtain supplies and services when needed.

We rely on a significant number of third party suppliers of consumables, spare parts and equipment to operate, maintain, repair and upgrade our fleet of ships. Delays in delivery or unavailability or poor quality of supplies could result in off-hire days due to consequent delays in the repair and maintenance of our fleet or lead to our time charters being terminated. This would negatively impact our revenues and cash flows. Cost increases could also negatively impact our future operations.

The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates can result in higher than market rates and reductions in our stockholders' equity as well as charges against our income, while there is no assurance of the credit worthiness of our counterparties.

We have entered into interest rate swaps generally for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our credit facilities which were advanced at floating rates based on London Interbank Offered Rate ("LIBOR"). Interest rates and currency hedging may result in us paying higher than market rates. As of December 31, 2022, the aggregate notional amount of interest rate swaps relating to our fleet as of such date was $35.0 million. There is no assurance that our derivative contracts or any that we enter into in the future will provide adequate protection against adverse changes in interest rates or that our bank counterparties will be able to perform their obligations. In addition, as a result of the implementation of new regulation of the swaps markets in the United States, the European Union and elsewhere over the next few years, the cost of interest rate swaps may increase or suitable hedges may not be available. While we monitor the credit risks associated with our bank counterparties, there can be no assurance that these counterparties would be able to meet their commitments under our derivative contracts or any future derivative contract. Our bank counterparties include financial institutions that are based in European Union countries that have faced and might face again financial stress. The potential for our bank counterparties to default on their obligations under our derivative contracts may be highest when we are most exposed to the fluctuations in interest and currency rates such contracts are designed to hedge, and several or all of our bank counterparties may simultaneously be unable to perform their obligations due to the same events or occurrences in global financial markets. To the extent our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes, we would recognize fluctuations in the fair value of such contracts in our statement of operations. In addition, to the extent any future derivative contracts qualify for treatment as hedges for accounting purposes, the effective portion of changes in the fair value of our derivative contracts would be recognized in "Accumulated Other Comprehensive Income/(Loss)" affecting our retained earnings, and may affect compliance with the net worth covenant requirements in our credit facilities. Changes in the fair value of our derivative contracts that do not qualify for treatment as hedges for accounting and financial reporting purposes affect, among other things, our net income and our earnings per share. For additional information see "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be involved in various litigation matters from time to time. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial condition and operating cash flows.

Risks involved with operating ocean-going vessels could affect our business and reputation, which may reduce our revenues.

The operation of an ocean-going vessel carries inherent risks. These risks include, among others, the possibility of:

- marine disaster;
- piracy;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes, adverse weather conditions, natural disasters or other disasters outside our control, public health emergencies such as the COVID-19 outbreak; and
- work stoppages or other labor problems with crew members serving on our vessels including crew strikes and/or boycotts.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. Any of these circumstances or events could increase our costs or lower our revenues, which could result in reduction in the market price of our shares of common stock. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

The operation of drybulk carriers has certain unique operational risks which could affect our business, financial condition, results of operations and ability to pay dividends.

The operation of drybulk carriers has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the ship can be a risk factor. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold), and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessels bulkheads leading to the loss of a vessel. If we are unable to adequately maintain our vessels we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition, results of operations and ability to pay dividends. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

Company Risk Factors

We depend entirely on Eurobulk and Eurobulk FE to manage and charter our fleet, which may adversely affect our operations if Eurobulk or Eurobulk FE fails to perform its obligations.

We have no employees and we currently contract the commercial and technical management of our fleet, including crewing, maintenance and repair, to Eurobulk and Eurobulk FE, our affiliated ship management companies. We may lose a Manager's services or a Manager may fail to perform its obligations to us which could have a material adverse effect on our financial condition and results of our operations. Although we may have rights against either Manager if it defaults on its obligations to us, you will have no recourse against either Manager. Further, we will need to seek approval from our lenders to change either Manager as our ship manager.

Because the Managers are privately held companies, there is little or no publicly available information about them and there may be very little advance warning of operational or financial problems experienced by the Managers that may adversely affect us.

The ability of a Manager to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair a Manager's financial strength, and because each Manager is privately held it is unlikely that information about its financial strength would become public unless such Manager began to default on its obligations. As a result, there may be little advance warning of problems affecting the Managers, even though these problems could have a material adverse effect on us.

We may have difficulty properly managing our growth through acquisitions of new or secondhand vessels and we may not realize expected benefits from these acquisitions, which may negatively impact our cash flows, liquidity and our ability to pay dividends to our stockholders.

We intend to grow our business by ordering newbuild vessels and through selective acquisitions of high-quality secondhand vessels to the extent that they are available. Our future growth will primarily depend on:

- the operations of the shipyards that build any newbuild vessels we may order;
- the availability of employment for our vessels;
- locating and identifying suitable high-quality secondhand vessels;
- obtaining newbuild contracts at acceptable prices;
- obtaining required financing on acceptable terms;
- consummating vessel acquisitions;
- enlarging our customer base;
- hiring additional shore-based employees and seafarers;
- continuing to meet technical and safety performance standards; and
- managing joint ventures or significant acquisitions and integrating the new ships into our fleet.

Ship values are correlated with charter rates. During periods in which charter rates are high, ship values are generally high as well, and it may be difficult to consummate ship acquisitions or enter into shipbuilding contracts at favorable prices. During periods in which charter rates are low and employment is scarce, ship values are low and any vessel acquired without an attached time charter will automatically incur additional expenses to operate, insure, maintain and finance the ship, thereby significantly increasing our operating and finance costs. In addition, any vessel acquisition may not be profitable at or after the time of acquisition and may not generate cash flows sufficient to justify the investment. We may not be successful in executing any future growth plans and we cannot give any assurance that we will not incur significant expenses and losses in connection with such growth efforts. Other risks associated with vessel acquisitions that may harm our business, financial condition and operating results include the risks that we may:

- fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;
- be unable to hire, train or retain qualified shore-based and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with any vessels or businesses acquired; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

If we fail to properly manage our growth through acquisitions of newbuild or secondhand vessels we may not realize expected benefits from these acquisitions, which may negatively impact our cash flows, liquidity and our ability to pay dividends to our stockholders. Unlike newbuild vessels, secondhand vessels typically do not carry warranties as to their condition. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel’s condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for secondhand vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows, liquidity and our ability to pay dividends to our stockholders.

Our business depends upon certain members of our senior management who may not necessarily continue to work for us.

Our future success depends to a significant extent upon our Chairman and Chief Executive Officer, Aristides J. Pittas, certain members of our senior management and our Managers. Mr. Pittas has substantial experience in the drybulk shipping industry and has worked with us and our Managers for many years. He, our Managers and certain members of our senior management team are crucial to the execution of our business strategies and to the growth and development of our business. If these individuals were no longer to be affiliated with us or our Managers, or if we were to otherwise cease to receive services from them, we may be unable to recruit other employees with equivalent talent and experience, which could have a material adverse effect on our financial condition and results of operations.

Certain of our shareholders hold shares of EuroDry in amounts to give them a significant percentage of the total outstanding voting power represented by our outstanding shares.

As of March 31, 2023, Friends Dry Investment Company Inc., or Friends Dry, our largest shareholder and an affiliate of the Company, partly owned by our Chairman and CEO, Vice Chairman and people affiliated or working with Eurobulk amongst others, owns approximately 30.6% of the outstanding shares of our common stock and unvested incentive award shares, representing 30.6% of total voting power. As a result of this share ownership and for as long as Friends Dry owns a significant percentage of our outstanding common stock, Friends Dry will be able to influence the outcome of any shareholder vote, including the election of directors, the adoption or amendment of provisions in our amended and restated articles of incorporation or bylaws, as amended, and possible mergers, corporate control contests and other significant corporate transactions.

Our corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands, and as such we are entitled to exemption from certain Nasdaq corporate governance standards. As a result, you may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

Our Company's corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, we are exempt from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with Nasdaq corporate governance practices, and the establishment and composition of an audit committee and a formal written audit committee charter. For a list of the practices followed by us in lieu of Nasdaq's corporate governance rules, we refer you to the section of this annual report entitled "Board Practices—Corporate Governance" under Item 6.

Our growth depends on our ability to expand relationships with existing charterers, establish relationships with new customers and obtain new time charters, for which we will face substantial competition from new entrants and established companies with significant resources.

One of our principal objectives is to acquire additional vessels in conjunction with entering into additional long-term, fixed-rate charters for these vessels. The process of obtaining new long-term, fixed-rate charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Generally, we compete for charters based upon charter rate, customer relationships, operating expertise, professional reputation and vessel specifications, including size, age and condition.

In addition, as vessels age, it can be more difficult to employ them on profitable time charters, particularly during periods of decreased demand in the charter market. Accordingly, we may find it difficult to continue to find profitable employment for our vessels as they age.

We face substantial competition from a number of experienced companies, including state-sponsored entities and financial organizations. Some of these competitors have significantly greater financial resources than we do, and can therefore operate larger fleets and may be able to offer better charter rates. In the future, we may also face competition from reputable, experienced and well-capitalized marine transportation companies, including state-sponsored entities, that do not currently own vessels, but may choose to do so. Any increased competition may cause greater price competition for time charters, as well as for the acquisition of high-quality secondhand vessels and newbuild vessels. Further, since the charter rate is generally considered to be one of the principal factors in a charterer's decision to charter a vessel, the rates and available tonnage offered by our competitors can place downward pressure on rates throughout the charter market. As a result of these factors, we may be unable to charter our vessels, expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows, including cash available for dividends to our stockholders.

We and our principal officers have affiliations with the Managers that could create conflicts of interest detrimental to us.

Our principal officers are also principals, officers and employees of the Managers, which are our ship management companies. These responsibilities and relationships could create conflicts of interest between us and the Managers. Conflicts may also arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus other vessels that are or may be managed in the future by the Managers. Circumstances in any of these instances may make one decision advantageous to us but detrimental to the Managers and vice versa. Eurobulk currently manages vessels for EuroDry, and two bulkers that are not owned by EuroDry, potentially causing conflicts such as those described above. Further, it is possible that in the future Eurobulk may manage additional vessels which will not belong to EuroDry and in which the Pittas family may have non-controlling, little or even no power or participation, and Eurobulk may not be able to resolve all conflicts of interest in a manner beneficial to us and our shareholders.

Companies affiliated with Eurobulk or our officers and directors may acquire vessels that compete with our fleet.

Companies affiliated with Eurobulk or our officers and directors own drybulk carriers and may acquire additional drybulk carriers in the future. These vessels could be in competition with our fleet and other companies affiliated with Eurobulk might be faced with conflicts of interest with respect to their own interests and their obligations to us. Eurobulk, Friends Dry and Aristides J. Pittas, our Chairman and Chief Executive Officer, have granted us a right of first refusal to acquire any drybulk vessel that any of them may consider for acquisition in the future. In addition, Aristides J. Pittas will use his best efforts to cause any entity with respect to which he directly or indirectly controls to grant us this right of first refusal. Were we, however, to decline any such opportunity offered to us or if we did not have the resources or desire to accept any such opportunity, Eurobulk, Friends Dry and Aristides J. Pittas, and any of their respective affiliates, could acquire such vessels.

Our officers do not devote all of their time to our business.

Our officers are involved in other business activities that may result in their spending less time than is appropriate or necessary in order to manage our business successfully. Our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary are not employed directly by us, but rather their services are provided pursuant to our Master Management Agreement with Eurobulk. Our CEO is also President of Eurobulk and involved in the management of other affiliates and member of the board of other companies. Therefore, our officers may spend a material portion of their time providing services to other companies. They may also spend a material portion of their time providing services to Eurobulk and its affiliates on matters unrelated to us.

We are an "emerging growth company", and we cannot be certain that the reduced disclosure and other requirements applicable to emerging growth companies will not make our common shares less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act ("JOBS Act"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

In addition, under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") for so long as we are an emerging growth company.

For as long as we take advantage of the reduced reporting obligations, the information that we provide our shareholders may be different from information provided by other public companies.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations or to make dividend payments.

We are a holding company and our subsidiaries, which are all wholly-owned by us, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to make dividend payments to you depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may be unable or our Board of Directors may exercise its discretion not to pay dividends.

We may not be able to pay dividends.

We have not declared any dividends on our common stock and we may not earn sufficient revenues or we may incur expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. Our loan agreements may also limit the amount of dividends we can pay under some circumstances based on certain covenants included in the loan agreements.

The declaration and payment of any dividends will be subject at all times to the discretion of our Board of Directors. The timing and amount of dividends will depend on our earnings, financial condition, cash requirements and availability, restrictions in our loan agreements, growth strategy, charter rates in the drybulk shipping industry, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares), but, if there is no surplus, dividends may be declared out of the net profits (basically, the excess of our revenue over our expenses) for the fiscal year in which the dividend is declared or the preceding fiscal year. Marshall Islands law also prohibits the payment of dividends while a company is insolvent or if it would be rendered insolvent upon the payment of a dividend. As a result, we may not be able to pay dividends.

If we are unable to fund our future capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and our ability to pay dividends.

In order to fund our future capital expenditures, we may be required to incur borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures would limit our ability to continue to operate some of our vessels and could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

Our existing loan agreements contain restrictive covenants that may limit our liquidity and corporate activities.

Our existing loan agreements impose operating and financial restrictions on us. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures;
- change the management of our vessels or terminate or materially amend the management agreement relating to each vessel; and
- sell our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. The lenders' interests may be different from our interests, and we may not be able to obtain the lenders' permission when needed. This may prevent us from taking actions that are in our best interest.

Servicing future debt would limit funds available for other purposes.

To finance our fleet, we have incurred secured debt under loan agreements for our vessels. We also currently expect to incur additional secured debt to finance the acquisition of additional vessels we may decide to acquire in the future. We must dedicate a portion of our cash flow from operations to pay the principal and interest on our debt. These payments limit funds otherwise available for working capital expenditures and other purposes. As of December 31, 2022, we had total bank debt of approximately $81.9 million. Our debt repayment schedule as of December 31, 2022 requires us to repay $23.0 million of debt during 2023 and $14.1 million of debt during 2024. As of March 31, 2023, we repaid $14.9 million of our total debt, which resulted in outstanding debt of $66.9 million. If we are unable to service our debt, it could have a material adverse effect on our financial condition, results of operations and cash flows.

A further rise in interest rates could cause an increase in our costs and have a material adverse effect on our financial condition and results of operations. To finance vessel purchases, we have borrowed, and may continue to borrow, under loan agreements that provide for periodic interest rate adjustments based on indices that fluctuate with changes in market interest rates. If interest rates increase significantly, it would increase our costs of financing our acquisition of vessels, which could have a material adverse effect on our financial condition and results of operations. Any increase in debt service would also reduce the funds available to us to purchase other vessels.

Our ability to obtain additional debt financing may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.

The actual or perceived credit quality of our charterers, and any defaults by them, may be one of the factors that materially affect our ability to obtain the additional debt financing that we will require to purchase additional vessels or may significantly increase our costs of obtaining such financing. We may be unable to obtain additional financing, or may be able to obtain additional financing only at a higher-than-anticipated cost, which may materially affect our results of operations, cash flows and our ability to implement our business strategy.

As we expand our business, we may need to upgrade our operations and financial systems, and add more staff and crew. If we cannot upgrade these systems or recruit suitable employees, our performance may be adversely affected.

Our Managers’ current operating and financial systems may not be adequate if we expand the size of our fleet, and our attempts to improve those systems may be ineffective. In addition, if we expand our fleet, we will have to rely on our Managers to recruit suitable additional seafarers and shore-side administrative and management personnel. Our Managers may not be able to continue to hire suitable employees as we expand our fleet. If our Managers’ affiliated crewing agent encounters business or financial difficulties, we can make satisfactory arrangements with unaffiliated crewing agents or else we may not be able to adequately staff our vessels. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees, our performance may be materially adversely affected.

If we acquire additional ships, whether on the secondhand market or newbuildings, and those vessels are not delivered on time or are delivered with significant defects, our earnings and financial condition could be adversely affected.

We expect to acquire additional vessels in the future either from the secondhand markets or by placing newbuilding orders. The delivery of any drybulk vessels we might decide to acquire, whether newbuildings or secondhand vessels, could be delayed or certain events may arise which could result in us not taking delivery of a vessel, such as a total loss of a vessel, a constructive loss of a vessel, substantial damage to a vessel prior to delivery or construction not in accordance with agreed upon specification or with substantial defects. A delay in the delivery of any of these vessels to us or the failure of the contract counterparty to deliver a vessel at all could cause us to breach our obligations under a related time charter and could adversely affect our earnings, our financial condition and the amount of dividends, if any, that we pay in the future.

We may have difficulty properly managing our planned growth through acquisitions of secondhand vessels and/or ordering of newbuilding vessels.

We intend to grow our business through selective acquisitions of secondhand vessels or ordering newbuilding vessels. Our future growth will primarily depend on our ability to locate and acquire suitable additional vessels and successfully supervise any newbuilds we may order and obtain required debt or equity financing on acceptable terms.

A delay in the delivery to us of any purchased vessel, or the failure of the shipyard to deliver a vessel at all, could cause us to breach our obligations under a related charter and could adversely affect our earnings. In addition, the delivery of any of these vessels with substantial defects could have similar consequences.

A shipyard could fail to deliver a newbuild on time or at all because of:

- work stoppages or other hostilities, political or economic disturbances that disrupt the operations of the shipyard;
- quality or engineering problems;
- bankruptcy or other financial crisis of the shipyard;
- a backlog of orders at the shipyard;
- disputes between us and the shipyard regarding contractual obligations;
- weather interference or catastrophic events, such as major earthquakes or fires;
- our requests for changes to the original vessel specifications or disputes with the shipyard; or
- shortages of or delays in the receipt of necessary construction materials, such as steel, or equipment, such as main engines, electricity generators and propellers.

During periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to consummate vessel acquisitions or enter into newbuilding contracts at favorable prices. During periods when charter rates are low, we may be unable to fund the acquisition of newbuilding vessels, whether through lending or cash on hand. For these reasons, we may be unable to execute our growth plans or avoid significant expenses and losses in connection with our future growth efforts.

Credit market volatility may affect our ability to refinance our existing debt or incur additional debt.

The credit markets have recently experienced extreme volatility and disruption, which has limited credit capacity for certain issuers, and lenders have requested shorter terms and lower leverage ratios. The market for new debt financing is extremely limited and in some cases not available at all. If current levels of market disruption and volatility continue or worsen, we may not be able to refinance our existing debt or incur additional debt, which may require us to seek other funding sources to meet our liquidity needs or to fund planned expansion.

Labor interruptions could disrupt our business.

Our vessels are manned by masters, officers and crews that are employed by third parties. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We or our Managers may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively affect the effectiveness of our management and our results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team. Our success will depend upon our and our Managers' ability to hire additional employees and to retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition and operating cash flows. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not currently intend to maintain "key man" life insurance on any of our officers.

Our vessels may suffer damage and may face unexpected drydocking costs, which could affect our cash flows and financial condition.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover. The loss of earnings while these vessels are being repaired and reconditioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located near our vessels' positions. The loss of earnings and any costs incurred while these vessels are forced to wait for space or to steam to more distant drydocking facilities would decrease our earnings.

Purchasing and operating previously owned vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings. The aging of our fleet may result in increased operating costs in the future, which could adversely affect our results of operations.

Although we inspect the secondhand vessels prior to purchase, this inspection does not provide us with the same knowledge about their condition and cost of any required (or anticipated) repairs that it would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties on secondhand vessels.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. As of March 31, 2023, the vessels in our fleet had an average age of approximately 13.4 years. As our vessels age, they may become less fuel efficient and more costly to maintain and will not be as advanced as more recently constructed vessels due to improvements in design and engine technology. Rates for cargo insurance, paid by charterers, also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

In addition, charterers actively discriminate against hiring older vessels. For example, Rightship, the ship vetting service founded by Rio Tinto and BHP-Billiton that has become the major vetting service in the drybulk shipping industry, ranks the suitability of vessels based on a scale of one to five stars. Most major carriers will not charter a vessel that Rightship has vetted with fewer than three stars. Rightship automatically downgrades any vessel over 18 years of age to two stars, which significantly decreases its chances of entering into a charter. Therefore, as our vessels approach and exceed 18 years of age, we may not be able to operate these vessels again profitably or even generate positive cash flows during the remainder of their useful lives even if the market rates improve, which could adversely affect our earnings. As of March 31, 2023, four of our vessels are over 18 years of age.

If we sell vessels, we are not certain that the price for which we sell them will equal their carrying amount at that time.

Unless we set aside reserves for vessel replacement, at the end of a vessel's useful life, our revenue will decline, which would adversely affect our cash flows and income.

As of March 31, 2023, the vessels in our fleet had an average age of approximately 13.4 years. Unless we maintain cash reserves for vessel replacement, we may be unable to replace the vessels in our fleet upon the expiration of their useful lives. We estimate the useful life of our vessels to be 25 years from the completion of their construction. Our cash flows and income are dependent on the revenues we earn by chartering our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, financial condition and results of operations may be materially adversely affected. Any reserves set aside for vessel replacement would not be available for other cash needs or dividends.

Technological innovation could reduce our charter income and the value of our vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charter hire payments we receive for our vessels and the resale value of our vessels could significantly decrease. As a result, our available cash could be adversely affected.

A decrease in spot charter rates may provide an incentive for some charterers to default on their charters.
We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We enter into, among other things, charter-party agreements. When we enter into a time charter, charter rates under that charter are fixed for the term of the charter. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. If the spot charter rates or short-term time charter rates in the drybulk shipping industry remain significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. In addition, in depressed market conditions, our charterers may no longer need a vessel that is currently under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts, especially when the contracted charter rates are significantly above market levels. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates given currently decreased charter rate levels. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends in the future and compliance with covenants in our credit facilities.

We may not have adequate insurance to compensate us adequately for damage to, or loss of, our vessels.

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators which includes hull and machinery insurance, protection and indemnity insurance (which, in turn, includes environmental damage and pollution insurance) and war risk insurance and freight, demurrage and defense insurance for our fleet. We generally do not maintain insurance against loss of hire which covers business interruptions that result in the loss of use of a vessel except in cases we consider such protection appropriate. We may not be adequately insured against all risks and we may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs. Since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Moreover, the insurers may default on any claims they are required to pay. If our insurance is not enough to cover claims that may arise, it may have a material adverse effect on our financial condition, results of operations and cash flows.

Because we obtain some of our insurance through protection and indemnity associations ("P&I Associations"), we may also be subject to calls in amounts based not only on our own claim records, but also the claim records of other members of the P&I Associations.

We are indemnified for legal liabilities incurred while operating our vessels through membership in P&I Associations or clubs. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective of a P&I Association is to provide mutual insurance based on the aggregate tonnage of a member's vessels entered into the association. Claims are paid through the aggregate premiums of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. We cannot assure you that the P&I Association to which we belong will remain viable or that we will not become subject to additional funding calls which could adversely affect us. Claims submitted to the association may include those incurred by members of the association as well as claims submitted to the association from other P&I Associations with which our P&I Association has entered into inter-association agreements.

We may be subject to calls in amounts based not only on our claim records but also the claim records of other members of the P&I Associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Our vessels are exposed to operational risks, including terrorism, cyber-terrorism and piracy that may not be adequately covered by our insurance.

The operation of any vessel includes risks such as weather conditions, mechanical failure, collision, fire, contact with floating objects, cargo or property loss or damage and business interruption due to political circumstances in countries, piracy, terrorist and cyber-terrorist attacks, armed hostilities and labor strikes. Such occurrences could result in death or injury to persons, loss, damage or destruction of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates and damage to our reputation and customer relationships generally.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy worldwide has generally decreased since 2013, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Sulu Sea and the Gulf of Guinea, with drybulk vessels and tankers particularly vulnerable to such attacks. Acts of piracy could result in harm or danger to the crews that man our vessels.

If these piracy attacks occur in regions in which our vessels are deployed that insurers characterized as "war risk" zones or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including the employment of onboard security guards, could increase in such circumstances. Furthermore, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charterhire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and earnings.

We may not be adequately insured against all risks, and our insurers may not pay particular claims. With respect to war risks insurance, which we usually obtain for certain of our vessels making port calls in designated war zone areas, such insurance may not be obtained prior to one of our vessels entering into an actual war zone, which could result in that vessel not being insured. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Under the terms of our credit facilities, we will be subject to restrictions on the use of any proceeds we may receive from claims under our insurance policies. Furthermore, in the future, we may not be able to maintain or obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the P&I Associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs in the event of a claim or decrease any recovery in the event of a loss. If the damages from a catastrophic oil spill or other marine disaster exceeded our insurance coverage, the payment of those damages could have a material adverse effect on our business and could possibly result in our insolvency.

Recent action by the IMO's Maritime Safety Committee and U.S. agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time. We do not carry cyber-attack insurance, which could have a material adverse effect on our business, financial condition and results of operations.

In general, we do not carry loss of hire insurance. Occasionally, we may decide to carry loss of hire insurance when our vessels are trading in areas where a history of piracy has been reported. Loss of hire insurance covers the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking or unscheduled repairs due to damage to the vessel. Accordingly, any loss of a vessel or any extended period of vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

If our vessels call on ports located in countries or territories that are the subject of sanctions or embargoes imposed by the U.S. government, the European Union, the United Nations, or other governmental authorities, it could lead to monetary fines or other penalties and/or adversely affect our reputation and the market for our shares of common stock and its trading price.

Although none of our vessels have called on ports located in countries or territories that are the subject of country-wide or territory-wide comprehensive sanctions or embargoes imposed by the U.S. government or other applicable governmental authorities ("Sanctioned Jurisdictions") in violation of sanctions or embargo laws during 2022, and we endeavor to take precautions reasonably designed to mitigate such risks, it is possible that, in the future, vessels in our fleet may call on ports located in Sanctioned Jurisdictions on charterers' instructions and/or without our consent in violation of applicable sanctions laws. If such activities result in a violation of sanctions or embargo laws, we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our common stock could be adversely affected.

Beginning in February of 2022, President Biden and several European leaders announced various economic sanctions against Russia in connection with the conflict in the Ukraine region, which may adversely impact our business. Our business could also be adversely impacted by trade tariffs, trade embargoes or other economic sanctions that limit trading activities by the United States or other countries against countries in the Middle East, Asia or elsewhere as a result of terrorist attacks, hostilities or diplomatic or political pressures.

On March 8, 2022, President Biden issued an executive order prohibiting the import of certain Russian energy products into the United States, including crude oil, petroleum, petroleum fuels, oils, liquefied natural gas and coal. Additionally, the executive order, as amended, prohibits any new investments in Russia by U.S. persons, among other restrictions.

Furthermore, the United States has also prohibited a variety of specified services related to the maritime transport of Russian Federation origin crude oil and petroleum products, including trading/commodities brokering, financing, shipping, insurance (including reinsurance and protection and indemnity), flagging, and customs brokering. These prohibitions took effect on December 5, 2022 with respect to the maritime transport of crude oil and February 5, 2023 with respect to the maritime transport of other petroleum products. An exception exists to permit such services when the price of the seaborne Russian oil does not exceed the relevant price cap; but implementation of this price exception relies on a recordkeeping and attestation process that allows each party in the supply chain of seaborne Russian oil to demonstrate or confirm that oil has been purchased at or below the price cap. Violations of the price cap policy or the risk that information, documentation, or attestations provided by parties in the supply chain are later determined to be false may pose additional risks adversely affecting our business. Due to their nature, the Company's vessels do not transport any crude oil or petroleum products.

The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or expanded over time. Current or future counterparties of ours, including charterers, may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the U.S. government, the EU, and/or other international bodies. If we determine that such sanctions or embargoes require us to terminate existing or future contracts to which we, or our subsidiaries, are party or if we are found to be in violation of such applicable sanctions or embargoes, our results of operations may be adversely affected, we could face monetary fines or penalties, or we may suffer reputational harm.

All of the Company's revenues are from chartering-out its vessels on voyage or time charter contracts or from entering into pooling arrangements under which an international company and trading house involved in the use and/or transportation of drybulk commodities directs the Company's vessel to carry cargoes on its behalf. In time charters and pooling arrangements, the Company has no contractual relationship with the owner of the cargo and does not know the identity of the cargo owner. The vessel is directed to a load port to load the cargo, and to a discharge port to offload the cargo, based solely on the instructions of the charterer. As of March 31, 2023, none of our vessels have called on ports at the aforementioned countries in the past or are arranged to call on such ports in the future in violation of applicable sanctions laws. The vessels' shipowning companies do not presently have, and have not in the past had, any agreements, arrangements or contracts with the governments of Sanctioned Jurisdictions, such as Iran, North Korea, Crimea Region of Ukraine, Syria or Cuba, or entities that these countries control.

Although we believe that we have been in compliance with applicable sanctions and embargo laws and regulations in 2022, and intend to maintain such compliance, there can be no assurance that we will be in compliance with all applicable sanctions and embargo laws and regulations in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries or territories identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries or territories subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries or territories, or engaging in operations associated with those countries or territories pursuant to contracts with third parties that are unrelated to those countries or territories or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in the countries or territories that we operate in.

As a result of sanctions arising from the Russian invasion of Ukraine, the ability to make payments to accounts at certain Russian banks may be limited, which could affect our ability to pay the wages of any crew members or consultants who hold such accounts.

As a result of sanctions arising from the Russian invasion of Ukraine, our ability to make payments to accounts at certain Russian banks may be limited. Although wage payments have not been affected by this issue as of March 31, 2023, continuing or additional sanctions may affect our ability to pay the wages of any crew members or consultants who hold such accounts, which could adversely impact our operations.

We expect to operate substantially outside the United States, which will expose us to political and governmental instability, which could harm our operations.

We expect that our operations will be primarily conducted outside the United States and may be adversely affected by changing or adverse political and governmental conditions in the countries where our vessels are flagged or registered and in the regions where we otherwise engage in business. Any disruption caused by these factors may interfere with the operation of our vessels, which could harm our business, financial condition and results of operations. Past political efforts to disrupt shipping in these regions, particularly in the Arabian Gulf, have included attacks on ships and mining of waterways. In addition, terrorist attacks outside this region, such as the attacks that occurred against targets in the United States on September 11, 2001, and on a number of occasions in other countries following that, as well as continuing or new unrest and hostilities in Iraq, Iran, Afghanistan, Libya, Egypt, Ukraine, Syria and elsewhere in the world, may lead to additional armed conflicts or to further acts of terrorism and civil disturbance. Any such attacks or disturbances may disrupt our business, increase vessel operating costs, including insurance costs, and adversely affect our financial condition and results of operations. Our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions or a disruption of or limit to trading activities or other adverse events or circumstances in or affecting the countries and regions where we operate or where we may operate in the future.

The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.

We are incorporated under the laws of the Republic of the Marshall Islands and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

Obligations associated with being a public company require significant company resources and management attention.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and the other rules and regulations of the SEC, including Sarbanes-Oxley. Section 404 of Sarbanes-Oxley requires that we evaluate and determine the effectiveness of our internal control over financial reporting.

We work with our legal, accounting and financial advisors to identify any areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. We evaluate areas such as corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We will make changes in any of these and other areas, including our internal control over financial reporting, which we believe are necessary. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis. In addition, compliance with reporting and other requirements applicable to public companies do create additional costs for us and require the time and attention of management. Our limited management resources may exacerbate the difficulties in complying with these reporting and other requirements while focusing on executing our business strategy. We may not be able to predict or estimate the amount of the additional costs we may incur, the timing of such costs or the degree of impact that our management's attention to these matters will have on our business.

Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.

We generate all our revenues in U.S. dollars, but we incurred approximately 18% of our vessel operating expenses and drydocking expenses, all of our vessel management fees, and approximately 4% in 2022 of our general and administrative expenses in currencies other than the U.S. dollar. This could lead to fluctuations in our operating expenses, which would affect our financial results. Expenses incurred in foreign currencies increase when the value of the U.S. dollar falls, which would reduce our profitability and cash flows.

Investment in derivative instruments such as freight forward agreements could result in losses.

From time to time, we may take positions in derivative instruments including freight forward agreements ("FFAs"). FFAs and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs or other derivative instruments and do not correctly anticipate charter rate movements over the specified route and time period, we could suffer losses in the settling or termination of the FFA. This could adversely affect our results of operations and cash flows. As of December 31, 2022, the Company has entered into four interest rate swaps and has one FFA agreement. See "Note 13 – Derivative Financial Instruments" under the "Consolidated Financial Statements" (beginning on page F-33).

We are exposed to volatility in LIBOR or SOFR, and have entered into and may selectively enter from time to time into derivative contracts, which can result in higher than market interest rates and charges against our income. Volatility in LIBOR, the cessation of LIBOR and replacement of the interest rate in our debt obligations could affect our profitability, earnings and cash flow.

Our indebtedness accrues interest based on LIBOR or SOFR, which has been historically volatile. The publication of U.S. Dollar LIBOR for the one-week and two-month U.S. Dollar LIBOR tenors ceased on December 31, 2021, and the ICE Benchmark Administration ("IBA"), the administrator of LIBOR, with the support of the United States Federal Reserve and the United Kingdom's Financial Conduct Authority, announced the publication of all other U.S. Dollar LIBOR tenors will cease on June 30, 2023. The United States Federal Reserve concurrently issued a statement advising banks to cease issuing U.S. Dollar LIBOR instruments after 2021. As such, any new debt agreements we enter into will not use LIBOR as an interest rate, and we will need to transition our existing loan agreements from U.S. Dollar LIBOR to an alternative reference rate prior to June 2023. In response to the anticipated discontinuation of LIBOR, the Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, selected an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or "SOFR." SOFR is a broad measure of the cost of borrowing cash in the overnight U.S. treasury repo market. SOFR is now the predominant interest rate being used across cash and derivatives markets and the one we expect to use following the transition away from LIBOR. The impact of such a transition from LIBOR to SOFR could be significant for us. In light of the upcoming transition we have added fallback language to existing debt tied to LIBOR and in some cases agreed to pricing adjustments in our credit agreements. In particular, in certain cases the fallback language provides for the implementation of the so called "hardwire approach" where even the pricing adjustment (the Credit Adjustment Spread or "CAS") is agreed to in advance, and in other cases the fallback language provides for a negotiation framework and timing in advance of the expected transition. In addition, one loan agreement executed in September 2022 is already based on SOFR, with an aggregate initial loan amount of $20 million. As of December 31, 2022, our obligations under our credit facilities which accrue interest based on LIBOR with maturities extending past June 30, 2023 amounted to approximately $50.9 million. We are in active discussions with our lenders for our remaining loan agreements that we do not expect to amend before the transition date to add the relevant transition language.

In order to manage our exposure to interest rate fluctuations, we use and may in the future use additional interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position. Interest rate derivatives may also be impacted by the transition from LIBOR to SOFR. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant expenses. Such risk may have an adverse effect on our financial condition and results of operations.

We depend upon a few significant customers, due to our currently small fleet, for a large part of our revenues and the loss of one or more of these customers could adversely affect our financial performance.

We have historically derived a significant part of our revenues from a small number of charterers. During 2022, approximately 60% of our revenues were derived from our top five charterers. During 2021 and 2020, approximately 77% of our revenues were derived from our top five charterers in each of the two years. If one or more of our charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition and results of operations.

United States tax authorities could treat us as a "passive foreign investment company," which could have adverse United States federal income tax consequences to United States holders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income". For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." United States shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. In addition, United States shareholders of a PFIC are required to file annual information returns with the United States Internal Revenue Service, or IRS.

Based on our current method of operation, we do not believe that we have been, are or will be a PFIC with respect to any taxable year. In this regard, we treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities should not constitute "passive income," and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

There is substantial legal authority supporting this position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, in the absence of legal authority directly relating to PFIC rules, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations changed.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders will face adverse United States federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986, as amended, (which election could itself have adverse consequences for such shareholders, as discussed in Item 10 of this Annual Report under "Taxation — United States Federal Income Taxation of U.S. Holders"), such shareholders would be subject to United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our shares, as if the excess distribution or gain had been recognized ratably over the United States shareholder's holding period of our shares. See "Taxation — United States Federal Income Taxation of U.S. Holders" in this Annual Report under Item 10 for a more comprehensive discussion of the United States federal income tax consequences to United States shareholders if we are treated as a PFIC.

Based on the current and expected composition of our and our subsidiaries' assets and income, it is not anticipated that we will be treated as a PFIC. Our actual PFIC status for any taxable year, however, will not be determinable until after the end of such taxable year. Accordingly, there can be no assurances regarding our status as a PFIC for the current taxable year or any future taxable year. See the discussion in the section entitled "Item 10.E. Taxation — Passive Foreign Investment Company Status and Significant Tax Consequences". We urge U.S. Holders to consult with their own tax advisors regarding the possible application of the PFIC rules.

We may have to pay tax on United States source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as us and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code, or Section 883, and the applicable Treasury Regulations promulgated thereunder.

We intend to take the position that we qualified for this statutory tax exemption for United States federal income tax return reporting purposes for our 2022 taxable year and we intend to so qualify for future taxable years. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption for any future taxable year and thereby become subject to United States federal income tax on our U.S.-source shipping income. For example, in certain circumstances we may no longer qualify for exemption under Section 883 for a particular taxable year if shareholders, other than “qualified shareholders”, with a five percent or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, there can be no assurances on our tax-exempt status. In addition, we may fail to qualify if our common stock comes to represent 50% or less of the value or outstanding voting power of our stock.

If we are not entitled to exemption under Section 883 for any taxable year, we would be subject for those years to an effective 2% United States federal income tax on the shipping income we derive during the year which is attributable to the transport of cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties, and an adverse effect on our business.

We operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take action determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

If management is unable to provide reports as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

Under Section 404 of Sarbanes-Oxley, we are required to include in each of our annual reports on Form 20-F a report containing our management's assessment of the effectiveness of our internal control over financial reporting. If, in such annual reports on Form 20-F, our management cannot provide a report as to the effectiveness of our internal control over financial reporting as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

It may be difficult to enforce service of process and enforcement of judgments against us and our officers and directors.

We are a Marshall Islands corporation, and our subsidiaries are incorporated in jurisdictions outside of the United States. Our executive offices are located outside of the United States in Maroussi, Greece. A majority of our directors and officers reside outside of the United States, and a substantial portion of our assets and the assets of our officers and directors are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside of the United States, judgments you may obtain in the U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

There is also substantial doubt that the courts of the Marshall Islands, Greece or jurisdictions in which our subsidiaries are organized would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws. In addition, the protection afforded to minority shareholders in the Marshall Islands is different than those offered in the United States.

Risk Factors Relating To Our Common Stock

The trading volume for our common stock has been low, which may cause our common stock to trade at lower prices and make it difficult for you to sell your common stock.

Although our shares of common stock have traded on the Nasdaq Capital Market since May 31, 2018, the trading volume has been low. Our shares may not actively trade in the public market and any such limited liquidity may cause our common stock to trade at lower prices and make it difficult to sell your common stock.

The market price of our common stock has recently been volatile and may continue to be volatile in the future, and as a result, investors in our common stock could incur substantial losses on any investment in our common stock.

The market price of our common stock has recently been volatile and may continue to be volatile in the future. For example, the reported closing sale price of our common stock on the Nasdaq Capital Market was $42.75 per share on April 21, 2022, $12.94 per share on September 9, 2022 and $15.96 per share on December 16, 2022. In addition, on April 21, 2022, the intra-day sale price of our common stock reported on the Nasdaq Capital Market fluctuated between a low of $40.50 per share and a high of $44.99 per share without any discernable announcements or developments by the Company or third parties to substantiate the movement of our stock price.

Among the factors that have in the past and could in the future affect our stock price are:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- changes in market valuations or sales or earnings estimates or publication of research reports by analysts;
- changes in earnings estimates or shortfalls in our operating results from levels forecasted by securities analysts;
- speculation in the press or investment community about our business or the shipping industry;
- changes in market valuations of similar companies and stock market price and volume fluctuations generally;
- payment of dividends;
- strategic actions by us or our competitors such as mergers, acquisitions, joint ventures, strategic alliances or restructurings;
- changes in government and other regulatory developments;
- additions or departures of key personnel;
- general market conditions and the state of the securities markets; and
- domestic and international economic, market and currency factors unrelated to our performance.

The international drybulk shipping industry has been highly unpredictable. In addition, the stock markets in general, and the markets for drybulk shipping and shipping stocks in general, have experienced extreme volatility that has sometimes been unrelated or disproportionate to the operating performance of particular companies. In addition, the ongoing COVID-19 pandemic has caused broad stock market and industry fluctuations. These broad market fluctuations may adversely affect the trading price of our common stock. As a result of this volatility, our shares may trade at prices lower than you originally paid for such shares and you may incur substantial losses on your investment in our common stock.

Investors may purchase our common stock to hedge existing exposure or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent an aggregate short exposure in our common stock becomes significant, investors with short exposure may have to pay a premium to purchase common stock for delivery to common stock lenders at times if and when the price of our common stock increases significantly, particularly over a short period of time. Those purchases may in turn, dramatically increase the price of our common stock. This is often referred to as a “short squeeze.” A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to our business prospects, operating performance, financial condition or other traditional measures of value for the Company or our common stock.

If our common stock does not meet the Nasdaq Capital Market's minimum share price requirement, and if we cannot cure such deficiency within the prescribed timeframe, our common stock could be delisted.

Under the rules of the Nasdaq Capital Market, listed companies are required to maintain a share price of at least $1.00 per share. If the share price declines below $1.00 for a period of 30 consecutive business days, then the listed company has a cure period of at least 180 days to regain compliance with the $1.00 per share minimum. The company may regain compliance if the bid price of its common shares closes at $1.00 per share or more for a minimum of ten consecutive business days at any time during the 180-day cure period. If the price of our common stock closes below $1.00 for 30 consecutive days, and if we cannot cure that deficiency within the 180-day timeframe, then our common stock could be delisted.

If the market price of our common stock falls below $5.00 per share, under stock exchange rules, our shareholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to continue to use our common stock as collateral may lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common stock.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our common shares will depend, in part, upon the research and reports that securities or industry analysts publish about us or our business. We do not have any control over analysts as to whether they will cover us, and if they do, whether such coverage will continue. If analysts do not commence coverage of the Company, or if one or more of these analysts cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline. In addition, if one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price may likely decline.

Our Amended and Restated Articles of Incorporation, Bylaws and Shareholders' Rights Plan contain anti-takeover provisions that may discourage, delay or prevent (1) our merger or acquisition and/or (2) the removal of incumbent directors and officers and (3) the ability of public shareholders to benefit from a change in control.

Our current amended and restated articles of incorporation and bylaws contain certain anti-takeover provisions. These provisions include blank check preferred stock, the prohibition of cumulative voting in the election of directors, a classified Board of Directors, advance written notice for shareholder nominations for directors, removal of directors only for cause, advance written notice of shareholder proposals for the removal of directors and limitations on action by shareholders. In addition, we adopted a shareholders' rights plan pursuant to which our Board of Directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our Board of Directors. These anti-takeover provisions, including provisions of our shareholders' rights plan, either individually or in the aggregate, may discourage, delay or prevent (1) our merger or acquisition by means of a tender offer, a proxy contest or otherwise, that a shareholder may consider in its best interest, (2) the removal of incumbent directors and officers, and (3) the ability of public shareholders to benefit from a change in control. These anti-takeover provisions could substantially impede the ability of shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and shareholders’ ability to realize any potential change of control premium.

Future sales of our common stock could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

We may issue additional shares of our stock in the future and our stockholders may elect to sell large numbers of shares held by them from time to time. Our amended and restated articles of incorporation authorize us to issue up to 200,000,000 shares of common stock and 20,000,000 shares of preferred stock.

Sales of a substantial number of any of the shares of common stock mentioned above may cause the market price of our common stock to decline.

Issuance of preferred stock may adversely affect the voting power of our shareholders and have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Our Board of Directors approved the issuance of 19,042 shares of our Series B Preferred Shares at the Spin-off date and may decide in the future to issue preferred shares in one or more series and to determine the rights, preferences, privileges and restrictions with respect to, among other things, dividends, conversion, voting, redemption, liquidation and the number of shares constituting any series subject to prior shareholders' approval. If our Board determines to issue preferred shares, such issuance may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. The issuance of preferred shares with voting and conversion rights may also adversely affect the voting power of the holders of common shares. This could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and shareholders’ ability to realize any potential change of control premium. As of December 31, 2022 we have no outstanding Series B Preferred Shares.

Because the Republic of the Marshall Islands, where we are incorporated, does not have a well-developed body of corporate law, shareholders may have fewer rights and protections than under typical state law in the United States, such as Delaware, and shareholders may have difficulty in protecting their interests with regard to actions taken by our Board of Directors.

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws, as amended, and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Stockholder rights may differ as well. For example, under Marshall Islands law, a copy of the notice of any meeting of the shareholders must be given not less than 15 days before the meeting, whereas in Delaware such notice must be given not less than 10 days before the meeting. Therefore, if immediate shareholder action is required, a meeting may not be able to be convened as quickly as it can be convened under Delaware law. Also, under Marshall Islands law, any action required to be taken by a meeting of shareholders may only be taken without a meeting if consent is in writing and is signed by all of the shareholders entitled to vote, whereas under Delaware law action may be taken by consent if approved by the number of shareholders that would be required to approve such action at a meeting. Therefore, under Marshall Islands law, it may be more difficult for a company to take certain actions without a meeting even if a majority of the shareholders approve of such action. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of Delaware and other states with substantially similar legislative provisions, public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction.

Item 4. Information on the Company

A. History and Development of the Company

EuroDry Ltd. is a Marshall Islands company incorporated under the BCA on January 8, 2018. We are a provider of worldwide ocean-going transportation services. We own and operate drybulk carriers that transport major bulks such as iron ore, coal and grains, and minor bulks such as bauxite, phosphate and fertilizers. As of March 31, 2023, our fleet consisted of ten drybulk carriers (comprising five Panamax drybulk carriers, two Kamsarmax, two Ultramax drybulk carriers and one Supramax drybulk carrier), all of which are in operation. The total cargo carrying capacity of our ten drybulk carriers is 728,975 dwt.

On May 30, 2018, EuroDry was spun-off from our Former Parent Company and issued 2,254,830 shares of its common stock to holders of common stock of Euroseas as of the applicable record date (one share of EuroDry for every five shares of Euroseas held). Our common shares trade under the symbol EDRY on the Nasdaq Capital Market. Our executive offices are located at 4 Messogiou & Evropis Street, 151 24, Maroussi, Greece. Our telephone number is +30-211-1804005.

The SEC maintains an Internet site at www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our website address is www.eurodry.gr. The information contained on our website is not part of this annual report.

B. Business Overview

Our fleet consists of drybulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes. Please see information in the section "Our Fleet", below. During 2020, 2021 and 2022, we had a fleet utilization of 99.7%, 99.5% and 99.1%, respectively, and an average number of vessels of 7.0, 7.9 and 10.4, respectively, our vessels achieved daily time charter equivalent rates of $9,388 and $24,222 and $21,304, respectively, and we generated time charter revenues of $23.59 million, $68.51 million and $74.57 million, respectively.

Our business strategy is focused on providing consistent shareholder returns by carefully selecting the timing and the structure of our investments in drybulk vessels and by reliably, safely and competitively operating the vessels we own, through our affiliates, Eurobulk and Eurobulk FE. Representing a continuous shipowning and management history that dates back to the 19th century, we believe that one of our advantages in the industry is our ability to select and safely operate drybulk vessels of any age.

Our Fleet

As of March 31, 2023, the profile and deployment of our fleet are the following:

Name	Type	Dwt	Year Built	Employment (*)	TCE Rate ($/day)
Drybulk Vessels					
EKATERINI	Kamsarmax	82,000	2018	TC until Mar-25	Hire 105.5% of the Average Baltic Kamsarmax P5TC index (**)
XENIA	Kamsarmax	82,000	2016	TC until Mar-24	Hire 105.5% of the Average Baltic Kamsarmax P5TC index (**)
ALEXANDROS P	Ultramax	63,500	2017	TC until May-23	$18,750
GOOD HEART	Ultramax	62,996	2014	TC until May-23	$13,000
MOLYVOS LUCK	Supramax	57,924	2014	TC until Apr-23	$20,875
EIRINI P	Panamax	76,466	2004	TC until Apr-23	$13,000
STARLIGHT	Panamax	75,845	2004	TC until Apr-23	$6,250
TASOS	Panamax	75,100	2000	TC until Apr-23	$11,200
SANTA CRUZ	Panamax	76,440	2005	Under Dry dock	-
BLESSED LUCK	Panamax	76,704	2004	TC until Apr-23	$6,000
Total Vessels	**10**	**728,975**			

(*) TC denotes time charter. Charter duration indicates the earliest redelivery date.
(**) The average Baltic Kamsarmax P5TC Index is an index based on five Panamax time charter routes.

We plan to expand our fleet by investing in vessels in the drybulk market under favorable market conditions. We also intend to take advantage of the cyclical nature of the market by buying and selling ships when we believe favorable opportunities exist. We employ our vessels in the spot and time charter market and through pool arrangements. As of March 31, 2023, all but one of our vessels are employed under time charter contracts.

As of March 31, 2023, approximately 24% of our ship capacity days for the remainder of 2023 are under contract.

In "Critical Accounting Estimates – Impairment of vessels" below, we discuss our policy for impairing the carrying values of our vessels. During the past few years, the market values of vessels have experienced extraordinarily high volatility, and substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value. We may not impair those vessels' carrying value under our impairment accounting policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2021 and 2022, respectively, (ii) which of our vessels we believe has a basic market value below its carrying value, and (iii) the aggregate difference between carrying and market value represented by such vessels. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income/ (loss) if we sold all of such vessels in the current environment, using industry-standard valuation methodologies, in cash, in arm's-length transactions. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic market values. However, we are not holding our vessels for sale, except as otherwise noted in this report.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without any notations. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;
- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of basic market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

Name	**Capacity**	**Purchase Date**	**Carrying Value as of December 31, 2021(1)**	**Carrying Value as of December 31, 2022**
Drybulk Vessels	**(dwt)**		**(million USD)**	**(million USD)**
PANTELIS (sold in 2022)	74,020	Jul-2009	$7.75	-
EIRINI P	76,466	May-2014	$12.16	$10.90(2)
XENIA	82,000	Feb-2016	$25.20	$24.06
TASOS	75,100	Jan-2017	$3.43	$3.74
ALEXANDROS P.	63,500	Jan-2017	$14.89	$14.30
EKATERINI	82,000	May-2018	$20.89	$20.07
STARLIGHT	75,845	Nov-2018	$8.41	$7.61
BLESSED LUCK	76,704	May-2021	$11.42	$10.26
GOOD HEART	62,996	Sep-2021	$24.34	$23.15(2)
MOLYVOS LUCK	57,924	Feb-2022	-	$20.28(2)
SANTA CRUZ	76,440	Apr-2022	-	$14.65(2)
Total Drybulk Vessels	**728,975**		**$128.49**	**$149.02**

(1) Our vessels are stated at carrying values (refer to our accounting policy in Note 2 to our consolidated financial statements included herein) and, as of December 31, 2021, the carrying value of none of our vessels exceeded their estimated market value. There were no indications of impairment on any of our vessels and no impairment was recorded during the year ended December 31, 2021.

(2) Indicates drybulk vessels for which we believe, as of December 31, 2022, the basic charter-free market value is lower than the vessel's carrying value as of December 31, 2022. We believe that the aggregate carrying value of these vessels, assessed separately, of $68.98 million as of December 31, 2022 exceeds their aggregate basic charter-free market value of approximately $63.20 million by approximately $5.78 million. As further discussed in "Critical Accounting Estimates – Impairment of vessels" below, we believe that the carrying values of our vessels as of December 31, 2022 were recoverable.

We note that all of our drybulk vessels are currently employed under time charter contracts of durations from less than one to twenty four months until the earliest redelivery charter period. If we sell those vessels with the charters attached, the sale price may be affected by the relationship of the charter rate to the prevailing market rate for a comparable charter with the same terms.

We refer you to the risk factor entitled "***The market value of our vessels can fluctuate significantly, which may adversely affect our financial condition, cause us to breach financial covenants, result in the incurrence of a loss upon disposal of a vessel or increase the cost of acquiring additional vessels***" and the discussion in Item 3.D under "Industry Risk Factors".

Our Competitive Strengths

We believe that we possess the following competitive strengths:

- *Experienced Management Team*. Our management team has significant experience in all aspects of commercial, technical, operational and financial areas of our business. Aristides J. Pittas, our Chairman and Chief Executive Officer, holds a dual graduate degree in Naval Architecture and Marine Engineering and Ocean Systems Management from the Massachusetts Institute of Technology. He has worked in various technical, shipyard and ship management capacities and since 1991 has focused on the ownership and operation of vessels carrying dry cargoes. Dr. Anastasios Aslidis, our Chief Financial Officer, holds a Ph.D. in Ocean Systems Management also from Massachusetts Institute of Technology and has over 30 years of experience, primarily as a partner at a Boston based international consulting firm focusing on investment and risk management in the maritime industry.

- *Cost Efficient Vessel Operations*. We believe that because of the efficiencies afforded to us through Eurobulk, the strength of our management team and the quality of our fleet, we are, and will continue to be, a reliable, low cost vessel operator, without compromising our high standards of performance, reliability and safety. Our total vessel operating expenses, including management fees and general and administrative expenses but excluding drydocking expenses were $6,698 per day for the year ended December 31, 2022. Our technical and operating expertise allows us to efficiently manage and transport a wide range of cargoes with a flexible trade route profile, which helps reduce ballast time between voyages and minimize off-hire days. Our professional, well-trained masters, officers and on board crews further help us to control costs and ensure consistent vessel operating performance. We actively manage our fleet and strive to maximize utilization and minimize maintenance expenditures for operational and commercial utilization. For the year ended December 31, 2022, our operational fleet utilization was 99.3%, from 99.6% in 2021, while our commercial utilization rate was 99.8% and 99.9% for each year, respectively. Our total fleet utilization rate in 2022 was 99.1%, from 99.5% in 2021.

- *Strong Relationships with Customers and Financial Institutions*. We believe ourselves, Eurobulk, Eurobulk FE and the Pittas family have developed strong industry relationships and have gained acceptance with charterers, lenders and insurers because of long-standing reputation for safe and reliable service and financial responsibility through various shipping cycles. Through Eurobulk and Eurobulk FE, we offer reliable service and cargo carrying flexibility that enables us to attract customers and obtain repeat business. We also believe that the established customer base and reputation of ourselves, Eurobulk, Eurobulk FE and the Pittas family help us to secure favorable employment for our vessels with well-known charterers.

Our Business Strategy

Our business strategy is focused on providing consistent shareholder returns by carefully timing and structuring acquisitions of drybulk carriers and by reliably, safely and competitively operating our vessels through our Managers. We continuously evaluate purchase and sale opportunities, as well as long term employment opportunities for our vessels. Key elements of the above strategy are:

- *Renew and Expand our Fleet*. We expect to grow our fleet in a disciplined manner through timely and selective acquisitions of quality vessels. We perform in-depth technical review and financial analysis of each potential acquisition and only purchase vessels as market opportunities present themselves. We focus on purchasing well-maintained secondhand vessels, newbuildings or newbuilding resales based on the evaluation of each investment option at the time it is made. In May 2021 we acquired a Panamax drybulk vessel, followed by an Ultramax drybulk vessel in September 2021. In February 2022, we purchased a Supramax drybulk carrier, followed by another Panamax drybulk vessel in April 2022.

- *Maintain Balanced Employment*. We intend to employ our fleet on either longer term time charters, i.e. charters with duration of more than a year, or shorter term time/spot charters. We seek longer term time charter employment to obtain adequate cash flow to cover as much as possible of our fleet's recurring costs, consisting of vessel operating expenses, management fees, general and administrative expenses, interest expense and drydocking costs for the upcoming 12-month period. We also may use FFAs – as a substitute for time charter employment – to partly provide coverage for our drybulk vessels in order to increase the predictability of our revenues. We look to deploy the remainder of our fleet on spot charters, shipping pools or contracts of affreightment ("COA") depending on our view of the direction of the markets and other tactical or strategic considerations. When we expect charter rates to improve we try to increase the percentage of our fleet employed in shorter term contracts (allowing us to take advantage of higher rates in the future), while when we expect the market to weaken we try to increase the percentage of our fleet employed in longer term contracts (allowing us to take advantage of higher current rates). We believe this balanced employment strategy will provide us with more predictable operating cash flows and sufficient downside protection, while allowing us to participate in the potential upside of the spot market during periods of rising charter rates. As of March 31, 2023, on the basis of our existing time charters, approximately 24% of our vessel capacity for the remainder of 2023 are under time charter contracts, which will ensure employment of a portion of our fleet, partly protect us from market fluctuations and increase our ability to make principal and interest payments on our debt and pay dividends to our shareholders.

- *Optimize Use of Financial Leverage*. We intend to use bank debt to partly fund our vessel acquisitions and increase financial returns for our shareholders. We actively assess the level of debt we incur in light of our ability to repay that debt based on the level of cash flow generated from our balanced chartering strategy and efficient operating cost structure. Our debt repayment schedule as of December 31, 2022 called for a reduction of approximately 28.15% of our debt by the end of 2023 and an additional reduction of about 17.21% by the end of 2024 for a total of 45.36% reduction over the next two years, excluding any new debt that we assumed or may assume. As our debt is being repaid we expect that our ability to raise or borrow additional funds more cheaply in order to grow our fleet and generate better returns for our shareholders will increase.

- *Environmental, Social and Governance (ESG) Practices:* We actively manage a broad range of ESG initiatives, taking into consideration their expected impact on the sustainability of our business over time, and the potential impact of our business on society and the environment. Regarding environmental initiatives, in 2021 and 2022 we implemented technical and operational measures that we expect will result in energy savings and a reduced carbon footprint for our vessels. Moreover, we pay considerable attention to our human resources both on our vessels and ashore, proven by a variety of practices, including worldwide training on safety and management systems, and medical insurance for all employees.

Our Customers

We have well-established relationships with major dry bulk charterers, which we serve by carrying a variety of cargoes over a multitude of routes around the globe. Our major charterer customers during the last three years include Klaveness, Quadra, Guardian pool, Ausca, Amaggi, Tongli, Ultrabulk, and Cargill amongst others. We are a relationship driven company, and our top five customers in 2022 include our top four customers from 2021 (Quadra, Tongli, Ultrabulk and Amaggi), and two from 2020 (Quadra and Ultrabulk). Our top five customers accounted for approximately 60% in 2022, and 77% in each of 2021 and 2020 of our revenues. In 2022, OLAM, Quadra, Tongli, Ultrabulk and Amaggi accounted for 13%, 13%, 12%, 11% and 11% of our revenues, respectively. In 2021, Quadra, Ultrabulk, Amaggi and Tongli accounted for 27%, 19%, 15% and 11% of our revenues, respectively. In 2020, Quadra and Ultrabulk accounted for 19% and 13% of our revenues, respectively. Our dependence on our key charterer customers is moderate as in the event of a charterer default, our vessels can generally be re-chartered at the market rate, in the spot or charter market, although such a rate could be lower than the charter rate agreed with the charterer. In addition, as of the date of this report, none of our charterers have reported any inability to pay their obligations to us as a result of the COVID-19 outbreak, the war activities in Ukraine or the energy crisis.

The Dry Cargo Industry

Dry cargo shipping refers to the transport of certain commodities by sea between various ports in bulk or containerized form.

Drybulk commodities are typically divided into two categories — major and minor bulks. Major bulks include coal, iron ore and grains, while minor bulks include aluminum, phosphate rock, fertilizer, raw materials, agricultural and mineral cargo, cement, forest products and some steel products, including scrap.

There are five main classes of drybulk carriers — Handysize, Handymax, Panamax, Kamsarmax and Capesize. These classes represent the sizes of the vessel carrying the cargo in terms of deadweight (dwt) capacity, which is defined as the total weight including cargo that the vessel can carry when loaded to a defined load line of the vessel. Handysize vessels are the smallest of the five categories and include those vessels weighing up to 40,000 dwt. Handymax carriers are those vessels that weigh between 40,000 dwt and 60,000 dwt, while Panamax vessels are those ranging from 60,000 dwt to 80,000 dwt. Vessels over 80,000 dwt are called Kamsarmax vessels, while vessels over 100,000 dwt are called Capesize vessels (mini-Capes 100-140,000 dwt).

Drybulk carriers are ordinarily chartered either through a voyage charter or a time charter, under a longer term COA or in pools. Under a voyage charter, the owner agrees to provide a vessel for the transport of cargo between specific ports in return for the payment of an agreed freight rate per ton of cargo or an agreed dollar lump sum amount. Voyage costs, such as canal and port charges and bunker expenses, are the responsibility of the owner. Under a time charter, the ship owner places the vessel at the disposal of a charterer for a given period of time in return for a specified rate (either hire per day or a specified rate per dwt capacity per month) with the voyage costs being the responsibility of the charterer. In both voyage charters and time charters, operating costs (such as repairs and maintenance, crew wages and insurance premiums), as well as drydockings and special surveys, are the responsibility of the ship owner. The duration of time charters varies, depending on the evaluation of market trends by the ship owner and by charterers. Occasionally, drybulk vessels are chartered on a bareboat basis. Under a bareboat charter, operations of the vessels and all operating costs are the responsibility of the charterer, while the owner only pays the financing costs of the vessel.

A COA is another type of charter relationship where a charterer and a ship owner enter into a written agreement pursuant to which a specific cargo will be carried over a specified period of time. COAs benefit charterers by providing them with fixed transport costs for a commodity over an identified period of time. COAs benefit ship owners by offering ascertainable revenue over that same period of time and eliminating the uncertainty that would otherwise be caused by the volatility of the charter market. A shipping pool is a collection of similar vessel types under various ownerships, placed under the care of a single commercial manager. The manager markets the vessels as a single fleet and collects the earnings which are distributed to individual owners under a pre-arranged weighing system by which each participating vessel receives its share. Pools have the size and scope to combine voyage charters, time charters and COAs with freight forward agreements for hedging purposes, to perform more efficient vessel scheduling thereby increasing fleet utilization.

The international drybulk shipping industry is cyclical and volatile, having reached historical highs in 2008 and historical lows in 2016. Charter rates improved in 2017, however, they remained below profitable levels for most of the year. In 2018 the charter rates improved significantly before turning back to the 2017 levels at the beginning of 2019. Gradually during the year, the BDI turned to a six-year high, and peaked at the beginning of September 2019. However, by the end of the year, the BDI returned to 2017 levels and continued to decline even further in early 2020. Pressure on bulker demand was notable even before the impact of the COVID-19 pandemic, as iron ore exports were running low in certain areas of the world, and coal and minor bulk trade were under pressure, partially caused by the COVID-19 pandemic, among other factors. Fuel prices for vessels that had not undergone scrubber retrofitting also increased due to the implementation of the IMO 2020 regulation. Despite the turbulence in drybulk trade due to the COVID-19 pandemic in the first half of 2020, there were some improvements in the second half of the year. By November 2020, the market strength eased off but starting in December of 2020, and continuing in 2021, it strengthened again reaching its highest levels since 2010 by the end of March 2021, and skyrocketing to 5,647 points in October 2021 before dropping to 2,217 points by the end of the year due to higher energy prices and reduced demand for iron ore from China. In 2022, charter rates for dry bulk vessels decreased from 2021 levels but were sustained well above the historical average. The BDI softened from the decade highs of 2021, but averaged 43% above the decade average, principally as a result of strong global growth and increased infrastructure spending which has led to an elevated demand for commodities combined with a historically low orderbook, along with port delays and congestion. In 2022, the BDI index ranged from a high of 3,369 in May 2022 to 965 points in August 2022, closing the year at around 1,515 points. As of March 31, 2023, the index stood at 1,389 points. The development of charter rates is dependent on the supply of and demand for drybulk vessels. Demand for vessels depends on the international trade of drybulk commodities which, in turn, is affected by the economic growth, infrastructure investment and industrial production of major importing regions like Europe and Far East amongst others as well as the production of drybulk commodities by exporters like Brazil, Australia, South Africa, Argentina and Russia amongst others. During 2017, global seaborne drybulk trade growth measured in tonne-miles, reached 5.5% according to industry analysts, the highest annual growth since 2014, however, trade growth in 2018 decreased to 2.1% and further decreased to 0.2% in 2019. The significant effects of the COVID-19 pandemic reflected negatively on drybulk seaborne trade growth, which shrunk to 0.9% in 2020, but grew to 3.5% in 2021 as a result of a post-Covid rebound. In 2022, drybulk seaborne trade shrunk to -1.7%, but is forecast to grow a further 1.9% in 2023 and 2.3% in 2024.

At the same time, the supply of drybulk vessels cannot be changed drastically in the short term as it takes about nine months to build a ship and, usually, there is a lag of, at least, fifteen to eighteen months between placing an order to build a vessel and its delivery. In the near term, supply is limited by the existing number of vessels and can only be adjusted by increasing or decreasing the operating speed of a vessel but various economic and operational factors could limit the range of such adjustments. As of March 31, 2023, the backlog of vessels under construction ("orderbook") is about 6.87% of the fleet and it is scheduled to be delivered mostly over the next year. This level of orderbook reflects lower newbuilding orders placed between 2018 and 2019 due to the depressed charter rates in those years and will limit supply growth during 2023 and 2024. The orderbook is fairly balanced across all sizes. The low level of orderbook indicates that growth of the fleet is limited, thus, providing a foundation for higher charter rates at positive levels. Additionally, new environmental regulations that came into effect at the beginning of 2023 could further influence supply growth.

Typically, periods of high charter rates result in an increased rate of new vessel ordering, often more than what the demand levels warrant; these vessels begin to be delivered eighteen months or later when demand growth for vessels often slows down creating oversupply and quick correction of charter rates. The cyclicality of charter rates is also reflected in vessel values.

Our Competitors

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and vessel condition, as well as on reputation. Eurobulk arranges our charters (whether spot charters, time charters or shipping pools) through Eurochart S.A. ("Eurochart"), an affiliated brokering company which negotiates the terms of the charters based on market conditions. We compete primarily with other shipowners of carriers in the drybulk sector. Ownership of drybulk carriers is highly fragmented and is divided among state controlled and independent shipowners. Some of our publicly listed competitors include Diana Shipping Inc. (NYSE: DSX), Eagle Bulk Shipping Inc. (NASDAQ: EGLE), Genco Shipping and Trading Limited (NYSE: GNK), Navios Maritime Partners Inc. (NYSE: NMM), Star Bulk Carriers Corp. (NASDAQ: SBLK), Safe Bulkers, Inc. (NYSE: SB) and Globus Maritime Limited (NASDAQ: GLBS).

Seasonality

Coal, iron ore and grains trades, the major commodities of the drybulk shipping industry, are somewhat seasonal in nature. Energy markets primarily affect the demand for coal, higher demand is witnessed mainly during summer periods when air conditioning and refrigeration require more electricity and towards the end of the calendar year in anticipation of the forthcoming winter period. Demand for iron ore tends to decline in the summer months because many of the major steel users, such as automobile makers, significantly reduce their level of production. Grains are completely seasonal as they are driven by the harvest within a climate zone. Because three of the five largest grain producers (the United States, Canada and the European Union) are located in the northern hemisphere and the other two (Argentina and Australia) in the southern one, harvests occur throughout the year and are shipped accordingly.

Environmental and Other Regulations in the Shipping Industry

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the USCG), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

While we do not carry oil as cargo, we do carry fuel oil (bunkers) in our drybulk carriers. We currently maintain, for each of our vessels, pollution liability insurance coverage of $1.0 billion per incident. If the damages from a catastrophic spill exceeded our insurance coverage, that would have a material adverse effect on our financial condition and operating cash flows.

International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997; new emissions standards, titled IMO-2020, took effect on January 1, 2020.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The Marine Environment Protection Committee, or "MEPC," adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels or certain exhaust gas cleaning systems. Ships are now required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and took effect on March 1, 2020, with the exception of vessels fitted with exhaust gas cleaning equipment ("scrubbers") which can carry fuel of higher sulfur content. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ("ECAs"). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. In December 2021, the member states of the Convention for the Protection of the Mediterranean Sea Against Pollution ("Barcelona Convention") agreed to support the designation of a new ECA in the Mediterranean. On December 15, 2022, MEPC 79 adopted the designation of a new ECA in the Mediterranean, with an effective date of May 1, 2025. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in 2010. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection having commenced on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans (“SEEMPs”), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index (“EEDI”). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014. Additionally, MEPC 75 adopted amendments to MARPOL Annex VI which brought forward the effective date of the EEDI’s “phase 3” requirements from January 1, 2025 to April 1, 2022 for several ship types, including gas carriers, general cargo ships, and LNG carriers.

Additionally, MEPC 75 introduced draft amendments to Annex VI which impose new regulations to reduce greenhouse gas emissions from ships. These amendments introduce requirements to assess and measure the energy efficiency of all ships and set the required attainment values, with the goal of reducing the carbon intensity of international shipping. The requirements include (1) a technical requirement to reduce carbon intensity based on a new Energy Efficiency Existing Ship Index (“EEXI”), and (2) operational carbon intensity reduction requirements, based on a new operational carbon intensity indicator (“CII”). The attained EEXI is required to be calculated for ships of 400 gross tonnage and above, in accordance with different values set for ship types and categories. With respect to the CII, the draft amendments would require ships of 5,000 gross tonnage to document and verify their actual annual operational CII achieved against a determined required annual operational CII. Additionally, MEPC 75 proposed draft amendments requiring that, on or before January 1, 2023, all ships above 400 gross tonnage must have an approved SEEMP on board. For ships above 5,000 gross tonnage, the SEEMP would need to include certain mandatory content. MEPC 75 also approved draft amendments to MARPOL Annex I to prohibit the use and carriage for use as fuel of heavy fuel oil (“HFO”) by ships in Arctic waters on and after July 1, 2024. The draft amendments introduced at MEPC 75 were adopted at the MEPC 76 session in June 2021 and entered into force in November 2022, with the requirements for EEXI and CII certification becoming effective from January 1, 2023. MEPC 77 adopted a non-binding resolution which urges Member States and ship operators to voluntarily use distillate or other cleaner alternative fuels or methods of propulsion that are safe for ships and could contribute to the reduction of Black Carbon emissions from ships when operating in or near the Arctic. MEPC 79 adopted amendments to MARPOL Annex VI, Appendix IX to include the attained and required CII values, the CII rating and attained EEXI for existing ships in the required information to be submitted to the IMO Ship Fuel Oil Consumption Database. The amendments will enter into force on May 1, 2024.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Safety Management System Requirements

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the “LLMC”) sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that our vessels are in substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code"), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained applicable documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed as required.

Although all our vessels are currently ISM Code-certified, such certification may not be maintained by all our vessels at all times. Non-compliance with the ISM Code may subject such party to increased liability, invalidate existing insurance or decrease available insurance coverage for the affected vessels and result in a denial of access to, or detention in, certain ports. For example, the U.S. Coast Guard and E.U. authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and E.U. ports.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers ("GBS Standards").

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas. Additional amendments, which came into force on June 1, 2022, include (1) addition of a definition of dosage rate, (2) additions to the list of high consequence dangerous goods, (3) new provisions for medical/clinical waste, (4) addition of various ISO standards for gas cylinders, (5) a new handling code, and (6) changes to stowage and segregation provisions.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

The IMO's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. By IMO resolution, administrations are encouraged to ensure that cyber-risk management systems are incorporated by ship-owners and managers by their first annual Document of Compliance audit after January 1, 2021. In February 2021, the U.S. Coast Guard published guidance on addressing cyber risks in a vessel's safety management system. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of future regulations is hard to predict at this time.

In June 2022, SOLAS also set out new amendments that will take effect January 1, 2024, which include new requirements for: (1) the design for safe mooring operations, (2) the Global Maritime Distress and Safety System ("GMDSS"), (3) watertight integrity, (4) watertight doors on cargo ships, (5) fault-isolation of fire detection systems, (6) life-saving appliances, and (7) safety of ships using LNG as fuel. These new requirements may impact the cost of our operations.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 8, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first IOPP renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial. Additionally, in November 2020, MEPC 75 adopted amendments to the BWM Convention which would require a commissioning test of the ballast water management system for the initial survey or when performing an additional survey for retrofits. This analysis will not apply to ships that already have an installed BWM system certified under the BWM Convention. These amendments entered into force on June 1, 2022. In December 2022, MEPC 79 agreed that it should be permitted to use ballast tanks for temporary storage of treated sewage and grey water. MEPC 79 also established that ships are expected to return to D-2 compliance after experiencing challenging uptake water and bypassing a BWM system should only be used as a last resort. Guidance will be developed at MEPC 80 (in July 2023) to set out appropriate actions and uniform procedures to ensure compliance with the BWM Convention.

Once mid-ocean exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO also adopted the Bunker Convention to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the CLC or the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. Vessels of 24 meters in length or more but less than 400 gross tonnage engaged in international voyages will have to carry a Declaration on Anti-fouling Systems signed by the owner or authorized agent. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

In November 2020, MEPC 75 approved draft amendments to the Anti-fouling Convention to prohibit anti-fouling systems containing cybutryne, which would apply to ships from January 1, 2023, or, for ships already bearing such an anti-fouling system, at the next scheduled renewal of the system after that date, but no later than 60 months following the last application to the ship of such a system. In addition, the IAFS Certificate has been updated to address compliance options for anti-fouling systems to address cybutryne. Ships which are affected by this ban on cybutryne must receive an updated IAFS Certificate no later than two years after the entry into force of these amendments. Ships which are not affected (i.e. with anti-fouling systems which do not contain cybutryne) must receive an updated IAFS Certificate at the next Anti-fouling application to the vessel. These amendments were formally adopted at MEPC 76 in June 2021.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this annual report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future**.** The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

United States Regulations

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 ("OPA") established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200-nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

(i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;

(ii) injury to, or economic losses resulting from, the destruction of real and personal property;

(iii) loss of subsistence use of natural resources that are injured, destroyed or lost;

(iv) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;

(v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and

(vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective March 23, 2022, the new adjusted limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, amount to the greater of $1,300 per gross ton or $1,076,000 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship) or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of $300 per gross ton or $5.0 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply and plan to comply going forward with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's ("BSEE") revised Production Safety Systems Rule ("PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019, which rolled back certain reforms regarding the safety of drilling operations, and former U.S. President Trump had proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling. In January 2021 current U.S. President Biden signed an executive order temporarily blocking new leases for oil and gas drilling in federal waters. However, attorney generals from 13 states filed suit in March 2021 to lift the executive order, and in June 2021, a federal judge in Louisiana granted a preliminary injunction against the Biden administration, stating that the power to pause offshore oil and gas leases "lies solely with Congress." In August 2022, a federal judge in Louisiana sided with Texas Attorney General Ken Paxton, along with the other 12 plaintiff states, by issuing a permanent injunction against the Biden Administration's moratorium on oil and gas leasing on federal public lands and offshore waters. With these rapid changes, compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of $1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

Other United States Environmental Initiatives

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA requires states to adopt State Implementation Plans, or SIPs, some of which regulate emissions resulting from vessel loading and unloading operations which may affect our vessels.

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of WOTUS. In 2019 and 2020, the agencies repealed the prior WOTUS Rule and promulgated the Navigable Waters Protection Rule ("NWPR") which significantly reduced the scope and oversight of EPA and the Department of the Army in traditionally non-navigable waterways. On August 30, 2021, a federal district court in Arizona vacated the NWPR and directed the agencies to replace the rule. On December 7, 2021, the EPA and the Department of the Army proposed a rule that would reinstate the pre-2015 definition. On December 30, 2022, the EPA and the Department of Army announced the final WOTUS rule that largely reinstated the pre-2015 definition.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit ("VGP") program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act ("NISA"), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under Clean Water Act (CWA), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA's promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent ("NOI") or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required.

Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called “SOx-Emission Control Area”). As of January 2020, EU member states must also ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content.

On September 15, 2020, the European Parliament voted to include greenhouse gas emissions from the maritime sector in the European Union’s carbon market, the EU Emissions Trading System (“EU ETS”). On July 14, 2021, the European Parliament formally proposed its plan, which would involve gradually including the maritime sector from 2023 and phasing the sector in over a three-year period. This will require shipowners to buy permits to cover these emissions. The Environment Council adopted a general approach on the proposal in June 2022. On December 18, 2022, the Environmental Council and European Parliament agreed to include maritime shipping emissions within the scope of the EU ETS on a gradual introduction of obligations for shipping companies to surrender allowances: 40% for verified emissions from 2024, 70% for 2025 and 100% for 2026. Most large vessels will be included in the scope of the EU ETS from the start. Big offshore vessels of 5,000 gross tonnage and above will be included in the 'MRV' on the monitoring, reporting and verification of CO2 emissions from maritime transport regulation from 2025 and in the EU ETS from 2027. General cargo vessels and off-shore vessels between 400-5,000 gross tonnage will be included in the MRV regulation from 2025 and their inclusion in EU ETS will be reviewed in 2026.

International Labour Organization

The International Labour Organization (the "ILO") is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 ("MLC 2006"). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships that are 500 gross tonnage or over and are either engaged in international voyages or flying the flag of a Member and operating from a port, or between ports, in another country. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, former U.S. President Trump announced that the United States intends to withdraw from the Paris Agreement, and the withdrawal became effective on November 4, 2020. On January 20, 2021, U.S. President Biden signed an executive order to rejoin the Paris Agreement, which the U.S. officially rejoined on February 19, 2021.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies "levels of ambition" to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses. At MEPC 77, the Member States agreed to initiate the revision of the Initial IMO Strategy on Reduction of greenhouse gas ("GHG") emissions from ships, recognizing the need to strengthen the ambition during the revision process. MEPC 79 revised the EEDI calculation guidelines to include a CO2 conversion factor for ethane, a reference to the updated ITCC guidelines, and a clarification that in case of a ship with multiple load line certificates, the maximum certified summer draft should be used when determining the deadweight. A final draft Revised IMO GHG Strategy would be considered by MEPC 80 (scheduled to meet in July 2023), with a view to adoption.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period from 2013 to 2020. Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information. As previously discussed, regulations relating to the inclusion of greenhouse gas emissions from the maritime sector in the European Union's carbon market are also forthcoming.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, former U.S. President Trump signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions, and in August 2019, the Administration announced plans to weaken regulations for methane emissions. On August 13, 2020, the EPA released rules rolling back standards to control methane and volatile organic compound emissions from new oil and gas facilities. However, U.S. President Biden recently directed the EPA to publish a proposed rule suspending, revising, or rescinding certain of these rules. On November 2, 2021, the EPA issued a proposed rule under the CAA designed to reduce methane emissions from oil and gas sources. The proposed rule would reduce 41 million tons of methane emissions between 2023 and 2035 and cut methane emissions in the oil and gas sector by approximately 74 percent compared to emissions from this sector in 2005. EPA issued a supplemental proposed rule in November 2022 to include additional methane reduction measures following public input and anticipates issuing a final rule in 2023. If these new regulations are finalized, they could affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 ("MTSA"). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facility Security Code ("the ISPS Code"). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate ("ISSC") from a recognized security organization approved by the vessel's flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel's hull; a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP5 industry standard.

Inspection by Classification Societies

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by all the applicable Classification Societies. Our vessels are currently classed with Lloyd's Register of Shipping, Bureau Veritas, Rina, DNV and Nippon Kaiji Kyokai. ISM and ISPS certification have been awarded by Bureau Veritas and the Liberian Flag Administration to our vessels and Eurobulk, our ship management company.

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

The following table lists the upcoming intermediate or special survey for the vessels in our current fleet. Special surveys typically require drydocking of the vessels while intermediate surveys may not, depending on the age of the vessel and its condition. The intermediate surveys listed in the table below will not require drydocking of the vessels, unless otherwise indicated below.

Vessel	Next	Type
STARLIGHT	March 2025	Special Survey
EIRINI P	July 2024	Special Survey
TASOS	January 2025	Special Survey (Drydocking)
XENIA	December 2023	Intermediate Survey
ALEXANDROS P	March 2025	(Drydocking) Intermediate Survey
EKATERINI	May 2023	Special Survey
BLESSED LUCK	May 2024	Special Survey
GOOD HEART	April 2024	Special Survey
MOLYVOS LUCK	March 2024	Special Survey
SANTA CRUZ	March 2023	(Drydocking) Intermediate Survey

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet. We generally do not maintain insurance against loss of hire (except for certain charters for which we consider it appropriate), which covers business interruptions that result in the loss of use of a vessel.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or “P&I Associations”, and covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or “clubs.”

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each association’s liabilities. The International Group’s website states that the Pool provides a mechanism for sharing all claims in excess of US$10 million up to, currently, approximately $8.9 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.

C. Organizational structure

EuroDry is the sole owner of all outstanding shares of the subsidiaries listed in Note 1 of our consolidated financial statements under "Item 18. Financial Statements" and in Exhibit 8.1 to this annual report.

D. Property, plants and equipment

We do not own any real estate property. As part of the management services provided by Eurobulk during the period in which we have conducted business to date, we have shared, at no additional cost, offices with Eurobulk. We do not have current plans to lease or purchase office space, although we may do so in the future.

Our interests in our vessels are owned through our wholly-owned vessel owning subsidiaries and these are our only material properties. Please refer to Note 1, "Basis of Presentation and General Information", of the attached Financial Statements for a listing of our vessel owning subsidiaries. Our vessels are subject to first priority mortgages, which secure our obligations under our various credit facilities. For further details regarding our credit facilities, refer to "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Credit Facilities."

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with "Item 3. Key Information – D. Risk Factors", "Item 4. Business Overview", and our financial statements and footnotes thereto contained in this annual report. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. Our actual results may differ materially from those contained in the forward-looking statements. Please read "Forward-Looking Statements" for additional information regarding forward-looking statements used in this annual report. Reference in the following discussion to "we," "our" and "us" refer to EuroDry and our subsidiaries, except where the context otherwise indicates or requires.

We actively manage the deployment of our fleet between spot market voyage charters, which generally last from several days to several weeks, and time charters, which can last up to several years. Some of our vessels may participate in shipping pools, or, in some cases in contracts of affreightment. We may also use FFA contracts to provide partial coverage for our drybulk vessels – as a substitute for time charters – in order to increase the predictability of our revenues.

Vessels operating on time charters provide more predictable cash flows but can yield lower profit margins than vessels operating in the spot market during periods characterized by favorable market conditions. Vessels operating in the spot market generate revenues that are less predictable but may enable us to achieve increased profit margins during periods of high vessel rates although we are exposed to the risk of declining vessel rates, which may have a materially adverse impact on our financial performance. Vessels operating in pools benefit from better scheduling, and thus increased utilization, and better access to contracts of affreightment due to the larger commercial operation of the pool. We are constantly evaluating opportunities to increase the number of our vessels deployed on time charters or to participate in shipping pools (if available for our vessels), however we only expect to enter into additional time charters or shipping pools if we can obtain contract terms that satisfy our criteria. We carefully evaluate the length and the rate of the time charter contract at the time of fixing or renewing a contract considering market conditions, trends and expectations.

We constantly evaluate vessel purchase opportunities to expand our fleet accretive to our earnings and cash flow. Additionally, we will consider selling certain of our vessels when favorable sales opportunities present themselves. If, at the time of sale, the carrying value is less than the sales price, we will realize a gain on sale, which will increase our earnings, but if, at the time of sale, the carrying value of a vessel is more than the sales price, we will realize a loss on sale, which will negatively impact our earnings. Please see "Critical Accounting Estimates", below, for a further discussion of the consequences of selling our vessels for amounts below their carrying values.

Significant Developments in 2022

Vessel Acquisitions & Sales

During 2022, we acquired two drybulk vessels, a Panamax and a Supramax. On February 11, 2022 we acquired M/V Molyvos Luck a 57,924 dwt drybulk vessel built in 2014, for $21.2 million. On April 20, 2022 we acquired M/V Santa Cruz a 76,440 dwt drybulk vessel built in 2005, for $15.8 million.

In September 2022, we signed an agreement to sell M/V Pantelis, a 74,020 dwt drybulk vessel, built in 2000, for an amount, net of expenses paid, of $9.4 million. The vessel was delivered to its new owners, an unaffiliated third party, on October 17, 2022.

New Loans

On September 30, 2022, we signed a term loan facility and drew a loan of $20 million in order to post-delivery finance part of the acquisition of M/V Molyvos Luck and M/V Santa Cruz.

Share Repurchases

On August 8, 2022 we announced that our Board of Directors approved a share repurchase program for up to a total of $10 million of our common stock. The Board will review the program in July 2023. Share repurchases are made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of purchases under the program are determined by management based upon market conditions and other factors. The program does not require us to purchase any specific number or amount of shares and may be suspended or reinstated at any time at our discretion and without notice.

As of March 31, 2023 we had repurchased 198,731 of our common stock in the open market for a total of about $2.99 million, under this plan.

A. Operating results

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing trends in the results of our operations consist of the following:

Calendar days. We define calendar days as the total number of days in a period during which each vessel in our fleet was owned by us including off-hire days associated with major repairs, drydockings or special or intermediate surveys or days of vessels in lay-up. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during that period.

Available days. We define available days as the total number of Calendar days net of off-hire days associated with scheduled repairs, drydockings or special or intermediate surveys or days of vessels in lay-up. The shipping industry uses available days to measure the number of days in a period during which vessels were available to generate revenues.

Voyage days. We define voyage days as the total number of Available days net of off-hire days associated with unscheduled repairs or days waiting to find employment but including days our vessels were sailing for repositioning. The shipping industry uses voyage days to measure the number of days in a period during which vessels actually generate revenues or are sailing for repositioning purposes.

Fleet utilization. We calculate fleet utilization by dividing the number of our voyage days during a period by the number of our available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire either waiting to find employment, or commercial off-hire, or for reasons such as unscheduled repairs or other off-hire time related to the operation of the vessels, or operational off-hire. We distinguish our fleet utilization into commercial and operational. We calculate our commercial fleet utilization by dividing our available days net of commercial off-hire days during a period by our available days during that period. We calculate our operational fleet utilization by dividing our available days net of operational off-hire days during a period by our available days during that period.

Spot Charter Rates. We calculate spot charter rates on contracts made in the spot market for the use of a vessel for a specific voyage ("voyage charter") to transport a specified agreed upon cargo at a specified freight rate per ton or occasionally a lump sum amount. Under a voyage charter agreement, the charter party generally commits to a minimum amount of cargo and the charterer is liable for any short loading of cargo or "dead" freight. Spot charter rates are volatile and fluctuate on a seasonal and year to year basis. The fluctuations are caused by imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes.

Time Charter Equivalent ("TCE"). A standard maritime industry performance measure used to evaluate performance is the daily TCE. Daily TCE revenues are time charter revenues and voyage charter revenues, gross of commissions, minus voyage expenses divided by the number of voyage days during the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter whereas under spot market voyage charters, we pay such voyage expenses. We believe that the daily TCE neutralizes the variability created by unique costs associated with particular voyages or the employment of drybulk carriers on time charter or on the spot market (drybulk vessels are, generally, chartered on a time charter basis) and provides additional meaningful information in relation to the revenues generated by our vessels. Our definition of TCE may not be comparable to that used by other companies in the shipping industry.

Basis of Presentation and General Information

We use the following measures to describe our financial performance:

Time charter revenue and Voyage charter revenue. Our charter revenues are driven primarily by the number of vessels in our fleet, the number of voyage days during which our vessels generate revenues and the amount of daily charter revenue that our vessels earn under charters, which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels, levels of supply and demand in the transportation market, the number of vessels on time charters, voyage charters and in pools and other factors affecting charter rates in the drybulk market.

Commissions. We pay commissions on all chartering arrangements of 1.25% to Eurochart, a company affiliated with our CEO, plus additional commission of usually up to 1.25% to other brokers involved in the transaction, plus address commission of usually up to 3.75% deducted from charter hire. These additional commissions, as well as changes to charter rates will cause our commission expenses to fluctuate from period to period. Eurochart also receives a fee equal to 1% of the vessel sales price calculated as stated in the relevant memorandum of agreement for any vessel sold by it on our behalf. Eurochart also receives a commission of 1% of the vessel purchase price for acquisitions the Company makes using Eurochart's services, which is paid by the seller or the buyer of the vessel, depending on the terms of the relevant memorandum of agreement.

Voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage which would otherwise be paid by the charterer under a time charter contract or paid by the Company when the vessel is off hire. Under time charters, the charterer pays voyage expenses whereas under spot market voyage charters, we pay such expenses. The amounts of such voyage expenses are driven by the mix of charters undertaken during the period. Voyage expenses are also incurred, when our vessels are idle or are sailing for repositioning purposes or for drydocking, which we pay.

Vessel operating expenses. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically changed in line with the size of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general (including, for instance, developments relating to market prices for insurance or inflationary increases) may also cause these expenses to increase.

Related party management fees. These are the fees that we pay to our affiliated ship managers (Eurobulk and Eurobulk FE) under our management agreements for the technical and commercial management that they perform on our behalf.

Vessel depreciation. We depreciate our vessels on a straight-line basis with reference to the cost of the vessel, age and scrap value as estimated at the date of acquisition. Depreciation is calculated over the remaining useful life of the vessel. Remaining useful lives of property are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of estimated lives are recognized over current and future periods.

Dry-docking expenses. Dry-docking expenses relate to regularly scheduled intermediate survey or special survey necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Our vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are trading. Dry-docking expenses are accounted for using the direct expense method as this method eliminates the significant amount of time and subjectivity to determine which costs and activities related to drydocking and special survey should be deferred.

General and administrative expenses. We incur expenses consisting mainly of executive compensation, share-based compensation, professional fees, directors' liability insurance and reimbursement of our directors' and officers' travel-related expenses. We acquire executive services of our chief executive officer, chief financial officer, chief administrative officer, internal auditor and corporate secretary, through Eurobulk as part of our Master Management Agreement.

Interest and other financing costs. We traditionally finance vessel acquisitions partly with loan facilities on which we incur interest expense. The interest rate we pay is generally linked to the 1- or 3-month LIBOR or SOFR rate, although from time to time we may utilize fixed rate loans or could use interest rate swaps to eliminate our interest rate exposure. Interest due is expensed in the period incurred. We also incur financing costs in connection with establishing those facilities, which are presented as a direct deduction from the carrying amount of the relevant debt liability and amortize them to interest and other financing costs over the term of the underlying obligation using the effective interest method; the un-amortized portion is written-off if the loan is prepaid early.

Gain / (Loss) on derivatives, net. We enter into interest rate swap transactions to manage interest costs and risk associated with changing interest rates with respect to our variable interest loans. Interest rate swaps are recorded in the balance sheet as either assets or liabilities, measured at their fair value (Level 2) with changes in such fair value recognized in earnings under Gain / (loss) on derivatives, net, unless specific hedge accounting criteria are met.

We also take positions in FFAs with an objective to utilize those instruments as economic hedges of a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. The fair value of FFAs is treated as asset/liability until they are settled. Any such settlements by us or settlements to us under FFAs are recorded under Gain / (loss) on derivatives, net. The fair value of FFAs is determined through Level 1 inputs of the fair value hierarchy (quoted prices from the applicable exchanges). Our FFAs do not qualify for hedge accounting and therefore unrealized gains or losses are recognized under Gain / (loss) on derivatives, net.

In evaluating our financial condition, we focus on the above measures to assess our historical operating performance and we use future estimates of the same measures to assess our future financial performance. In addition, we use the amount of cash at our disposal and our total indebtedness to assess our short-term liquidity needs and our ability to finance additional acquisitions with available resources (see also discussion under "Capital Expenditures" below). In assessing the future performance of our present fleet, the greatest uncertainty relates to the spot market performance which affects those of our vessels that are not employed under fixed time charter contracts as well as the level of the new charter rates for the charters that are to expire. Decisions about the acquisition of additional vessels or possible sales of existing vessels are based on financial and operational evaluation of such action and depend on the overall state of the drybulk vessel market, the availability of purchase candidates, available employment, anticipated drydocking cost and our general assessment of economic prospects for the sectors in which we operate.

Results from Operations

The following table sets forth a summary of our consolidated results of operations for the years ended December 31, 2021 and 2022. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this annual report.

Fleet Data (1)	**2021**	**2022**
Average number of vessels	7.9	10.4
Calendar days	2,874	3,789
Available days	2,874	3,627
Voyage days	2,860	3,595
Utilization Rate (percent)	99.5%	99.1%

	(In U.S. Dollars per day per vessel)	
Average TCE rate (2)	24,222	21,304
Vessel Operating Expenses	4,720	5,103
Management Fees	818	784
G&A Expenses	918	811
Total Operating Expenses excluding drydocking expenses	6,456	6,698
Drydocking expenses	34	1,271

	2021	**2022**
Statement of Operations Data		
Time charter revenue	68,506,729	74,569,867
Commissions	(4,064,903)	(4,386,498)
Net revenue	**64,441,826**	**70,183,369**
Voyage expenses, net	755,998	2,025,120
Vessel operating expenses	(13,565,092)	(19,333,898)
Dry-docking expenses	(97,094)	(4,816,558)
Vessel depreciation	(7,656,638)	(10,757,177)
Related party management fees	(2,350,747)	(2,968,073)
General and administrative expenses	(2,638,427)	(3,072,583)
Gain on sale of vessel	-	2,856,525
Operating income	**38,889,826**	**34,116,725**
Interest and other financing costs	(2,339,023)	(3,853,047)
Loss on debt extinguishment	(1,647,654)	-
(Loss) / gain on derivatives, net	(3,765,619)	3,189,610
Other income	16,291	89,383
Net income	**31,153,821**	**33,542,671**
Dividends to Series B preferred shares	(1,085,902)	-
Preferred deemed dividend	(665,287)	-

Net income attributable to common shareholders	**29,402,632**	**33,542,671**
Earnings per share attributable to common shareholders, basic	11.63	11.66
Preferred stock dividends declared	1,085,902	-
Weighted average number of shares outstanding during period, basic	2,528,507	2,876,320
Earnings per share attributable to common shareholders, diluted	11.54	11.61
Weighted average number of shares outstanding during the period, diluted	2,548,950	2,889,991

(1) For the definition of calendar days, available days, voyage days and utilization rate, see above.

(2) Time charter equivalent rate, or TCE rate, is a measure of the average daily net revenue performance of our vessels and is determined by dividing time charter revenue and voyage charter revenue, if any, gross of commissions, less voyage expenses or time charter equivalent revenues, or TCE revenues, by the number of voyage days during the relevant time period. TCE revenues, a non-U.S. GAAP measure, provides additional meaningful information in conjunction with time charter revenue and voyage charter revenue, the most directly comparable U.S. GAAP measure, because it assists the Company's management in making decisions regarding the deployment and use of its vessels and because the Company believes that it provides useful information to investors regarding the Company's financial performance. TCE revenues and TCE rate are also standard shipping industry performance measures used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters, pool agreements and bareboat charters) under which the vessels may be employed between the periods. Our definition of TCE revenues and TCE rate may not be comparable to that used by other companies in the shipping industry.

The following table reflects the reconciliation of TCE revenues to time charter revenue and voyage charter revenue, if any, as reflected in the consolidated statement of operations (see discussion above) and our calculation of TCE rates for the periods presented.

	Year Ended December 31,	
(In U.S. dollars, except for voyage days and TCE rates which are expressed in U.S. dollars per day)		
	2021	**2022**
Time charter revenue	68,506,729	74,569,867
Voyage expenses, net	755,998	2,025,120
Time Charter Equivalent or TCE Revenues	69,262,727	76,594,987
Voyage days	2,859.5	3,595.3
Average TCE rate	24,222	21,304

Year ended December 31, 2022 compared to year ended December 31, 2021

Time charter revenue. Time charter revenue for 2022 amounted to $74.57 million, an increase of 8.9% compared to $68.51 million for the year ended December 31, 2021, as a result of the increased number of vessels operating in 2022, partly offset by the lower time charter rates our vessels earned in 2022 compared to 2021. In 2022, we operated an average of 10.4 vessels compared to 7.9 vessels in 2021. Our fleet earned revenue over 3,595 voyage days in 2022 as compared to 2,860 voyage days in 2021. While employed, our vessels generated a TCE rate of $21,304 per day per vessel in 2022 compared to a TCE rate of $24,222 per day per vessel in 2021, a decrease of 13.7%. The average TCE rate our vessels achieve is a combination of the time charter rate earned by our vessels under fixed rate time charter contracts, which is not influenced by market developments during the duration of the charter (unless the two charter parties renegotiate the terms of the charter or the charterer is unable to make the contracted payments or we enter into new charter party agreements), and the TCE rate earned by our vessels employed under time charters linked to an index and pool agreements, which is influenced by market developments.

Commissions. We paid a total of $4.39 million in charter commissions for the year ended December 31, 2022, representing 5.9% of charter revenues. Over the year ended December 31, 2021, commissions paid were $4.06 million, also representing a 5.9% of charter revenues.

Voyage expenses. Voyage expenses, net for the year amounted to an income of $2.03 million resulting mainly from gain on bunkers. For the year ended December 31, 2021, voyage expenses amounted to an income of $0.76 million, also resulting mainly from gain on bunkers. Our vessels are generally chartered under time charter contracts. Voyage expenses are dependent on the number of voyage charters, the cost of fuel, port costs and canal tolls and the number of days our vessels sailed without a charter, as well as on the price we pay for bunkers on board when a vessel is delivered and redelivered to and from a charterer.

Vessel operating expenses. Vessel operating expenses were $19.33 million in 2022 compared to $13.57 million in 2021. Daily vessel operating expenses per vessel amounted to $5,103 per day in 2022 versus $4,720 per day in 2021, an increase of 8.1%, mainly due to the higher prices paid for the supply of lubricants, spare parts and stores for our vessels compared to the same period of 2021, as a result of the war in Ukraine.

Related party management fees. These are part of the fees we pay to Eurobulk and Eurobulk FE under our Master Management Agreement. During 2022, Eurobulk and Eurobulk FE charged us 720 Euros per day per vessel totalling $2.97 million for the year, or $784 per day per vessel. During 2021, Eurobulk and Eurobulk FE charged us 685 Euros per day per vessel totalling $2.35 million for the year, or $818 per day per vessel. The increase in related party management fees is attributable to the higher number of vessels in our fleet and the increase in daily vessel management fee for inflation, partly offset by the favorable movement of the euro/dollar exchange rate.

General and administrative expenses. These expenses include the fixed portion of our management fees, incentive awards, legal and auditing fees, directors' and officers' liability insurance and other miscellaneous corporate expenses. In 2022, general and administrative expenses increased to $3.07 million compared to $2.64 million for the same period of 2021, due to the increased cost of our stock incentive plan.

Drydocking expenses. These are expenses we pay for our vessels to complete a drydocking as part of an intermediate or special survey. In 2022, five vessels underwent special survey and one vessel passed her intermediate survey in water (in lieu of drydock) for a total cost of $4.8 million. In 2021, no vessels underwent drydocking.

Vessel depreciation. Vessel depreciation for 2022 increased to $10.76 million, from $7.66 million in 2021. The increase is mainly attributable to the higher number of vessels operating in the same period.

Net gain on sale of vessel. In 2022, we sold one vessel for a total of $9.37 million of net proceeds and we recorded a $2.86 million net gain on the sale. In 2021 we had no vessel sales.

Interest and other financing costs. Interest and other financing costs for the twelve months of 2022 amounted to $3.9 million compared to $2.3 million the same period of 2021. Interest expense for the period was higher due to the increased amount of debt and the increased benchmark rates of our loans during the period as compared to the same period of last year.

(Loss) / gain on derivatives, net. In 2022, we had a $2.18 million of unrealized gain and a $0.14 million realized loss on five interest rate swaps as well as a $0.04 million unrealized gain and a $1.10 million realized gain of FFA contracts, as compared to a $0.64 million unrealized gain and a $0.30 million realized loss on four interest rate swaps and a $0.13 million unrealized gain and a $4.23 million realized loss on FFA contracts for the same period of 2021. We enter into the interest rate swaps to mitigate our exposure to possible increases in interest rates. We enter into FFA contracts to mitigate our exposure to possible declines in the drybulk market rates.

Loss on debt extinguishment. For the year ended December 31, 2021, loss on debt extinguishment was $1.65 million and related to the conversion of our related party loans, with an outstanding balance of $3.3 million, into common shares of the Company. The difference between the share price less the conversion price was reflected in loss on debt extinguishment. For the year ended December 31, 2022 the Company did not incur any loss on debt extinguishment.

Dividend Series B Preferred Shares. Following the redemption of $4.3 million of the Series B Preferred Shares in June 2019, we agreed with our Series B Preferred Shareholders to pay preferred dividends in cash until January 29, 2021 at a rate of 9.25% per annum. Thereafter, the Series B Preferred Shares would carry a rate of 14% per annum, also payable in cash. On April 1, 2020, we agreed with the holders of the Series B Preferred Shares to have the option to pay the Preferred dividend in-kind at an annual rate of 10.25%, instead of in cash at an annual rate of 9.25%, effective April 1, 2020 until January 29, 2021. On January 29, 2021, we redeemed a net amount of $3 million of our Series B Preferred Shares and, contemporaneously agreed with our Series B Preferred Shareholders to reduce the dividend rate of our Series B Preferred Shares to 8% per annum if paid in cash and 9% if paid in-kind at the Company's option until January 29, 2023, after which date the dividend rate would reset to 14% and would be payable in cash. On December 16, 2021 we redeemed all of our Series B Preferred Shares for a net amount of $13.6 million and recorded the amount of $0.67 million as preferred deemed dividends arising from the redemption of a total of $16.6 million of Series B Preferred Shares during 2021. Until December 16, 2021, we declared $1.09 million in dividends on our Series B Preferred Shares all of which were paid in cash during 2021. Following the full redemption of our Series B Preferred Shares in 2021, no preferred dividends were declared or paid during 2022.

Net income attributable to common shareholders. As a result of the above, net income attributable to common shareholders for the year ended December 31, 2022 was $33.54 million, as compared to a net income of $29.40 million for the year ended December 31, 2021.

Year ended December 31, 2021 compared to year ended December 31, 2020

For a discussion of the year ended December 31, 2021 compared to the year ended December 31, 2020, please refer to Part A, Item 5, “Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the year ended December 31, 2021.

B. Liquidity and Capital Resources

Historically, our sources of funds have been equity provided by our shareholders, operating cash flows and long-term borrowings. Our principal use of funds has been capital expenditures to establish and expand our fleet, maintain the quality of our vessels during operations and the periodically required drydockings, comply with international shipping standards and environmental laws and regulations, fund working capital requirements and, if necessary, operating shortfalls, make principal repayments on outstanding loan facilities, and pay preferred dividends.

Our short-term liquidity requirements include paying operating expenses, funding working capital requirements, interest and principal payments on outstanding debt and maintaining cash reserves to strengthen our position against adverse fluctuations in operating cash flows. Our primary source of short-term liquidity is cash generated from operating activities, available cash balances and portions from debt and equity financings.

Our long-term liquidity requirements are funding vessel acquisitions and debt repayment. Sources of funding for our long-term liquidity requirements include cash flows from operations, bank borrowings, issuance of debt and equity securities, and vessel sales.

Our total cash and cash equivalents and restricted cash at December 31, 2022 were $37.12 million, an increase of $7.59 million from $29.53 million at December 31, 2021. We hold cash and cash equivalents primarily in U.S. Dollars, with a minor balance held in Euros. We conduct our funding and treasury activities based on corporate policies designed to minimize borrowing costs and maximize investment returns while maintaining the safety of the funds and appropriate levels of liquidity for our purposes.

We are exposed to market risk from changes in interest rates and market rates for vessels. We use interest rate swaps to manage interest costs and the risks associated with changing interest rates of some of our loans. Please refer to "Item 11 – Quantitative and Qualitative Disclosures about Market Risk."

We expect to rely on cash available, funds generated from operating cash flows, funds from our shareholders, equity offerings and long-term borrowings to meet our liquidity needs going forward and to finance our capital expenditures and working capital needs in 2023 and beyond.

Summary of Contractual Obligations

Contractual obligations are set forth in the following table as of December 31, 2022:

In U.S. dollars (US$)	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Bank debt	81,855,000	23,040,000	19,780,000	39,035,000	-
Interest Payments (1)	9,693,486	3,889,902	3,965,998	1,835,632	1,954
Vessel Management fees (2)	16,930,301	3,394,500	6,749,277	6,776,821	9,703
Other Management fees (3)	7,171,621	1,350,000	2,822,715	2,994,618	4,288
Total	**115,650,408**	**31,674,402**	**33,317,990**	**50,642,071**	**15,945**

(1) Assuming the amortization of the loans as of December 31, 2022 described above, each loan's interest rate margin over LIBOR and average LIBOR rates of about 5.0% until June 30, 2023 based on the LIBOR yield curve as of December 31, 2022, apart from one loan already with an interest rate margin over SOFR, and an average SOFR rate of about 5.01% based on the SOFR yield curve as of December 31, 2022. Thereafter, i.e. after June 30, 2023, assuming the amortization of the remaining loans as of December 31, 2022 described above, each loan's interest rate margin over SOFR and average SOFR rates of about 5.01%, 2.60%, 0.51%, 0.30%, 0.43% and 0.84% per annum for the six years up to 2028, respectively, based on the SOFR yield curve as of December 31, 2022. Also includes our obligation to make payments required as of December 31, 2022 under our interest rate swap agreements based on the same SOFR rate assumptions.

(2) Refers to our obligation for management fees we expect to incur under our Master Management agreements and management agreements with the shipowning companies in effect as of January 1, 2023 and expiring on January 1, 2028. These agreements were renewed for five years effective January 1, 2023. The management fees have been computed for 2023 based on the agreed rate of 775 Euros per day per vessel (approximately $930). For the years after 2023, we have assumed an annual increase in the daily management fee of 3.0% to account for inflation. We assumed a Euro to US dollar exchange rate of 1.20. We further assume that we hold our vessels until they reach 25 years of age, after which they are considered to be scrapped and no long bear obligations and a fleet of ten vessels in 2023 until January 12, 2025 as one of our vessels will have reached 25 years, and nine vessels in 2025 and the subsequent years.

(3) Refers to our obligation for management fees of $1.35 million per year under our Master Management Agreement with Eurobulk for the cost of providing executive services to the Company. This fee is adjusted for inflation in the Eurozone during the previous calendar year every January 1st. For the years after 2023, we have assumed an annual increase in the annual management fees of 3.0% to account for inflation. The agreement expires on January 1, 2028.

Cash Flows

As of December 31, 2022, we had a working capital surplus of $20.69 million, mainly as a result of the increased net revenues our vessels earned within the year 2022. For the year ended December 31, 2022 we earned a net income and a net income attributable to common shareholders of $33.54 million and generated net cash from operating activities of $32.99 million. As of December 31, 2022, our cash balance amounted to $34.04 million and cash in restricted retention accounts amounted to $3.08 million. We believe that our current cash balance, and our operating cash flows to be generated over the short-term period will be sufficient to meet our 2023 liquidity needs and at least through the end of the first half of 2024, including funding the operations of our fleet, capital expenditure requirements and any other present financial requirements. However, we may seek additional indebtedness to finance future vessel acquisitions in order to maintain our cash position or to refinance our existing debt in more favorable terms. Our practice has been to fund the acquisition cost of dry bulk carriers using a combination of funds from operations and bank debt secured by mortgages on our dry bulk carriers held by the relevant lenders.

Year ended December 31, 2022 compared to year ended December 31, 2021

Net cash from operating activities.

Our net surplus from cash flows provided by operating activities for 2022 was $32.99 million as compared to a surplus of $39.14 million in 2021.

The major driver of the change of cash flows from operating activities for the year ended December 31, 2022 compared to the year ended December 31, 2021 is an increase in the net working capital outflow of $6.17 million. For the year ended December 31, 2022, we had a net working capital outflow of $7.25 million, as compared to a net working outflow of $1.08 million for the year ended December 31, 2021, resulting mainly due to a significant decrease in the amounts collected from charterers for timing reasons.

Net cash from investing activities.

Net cash flows used in investing activities were $28.40 million for the year ended December 31, 2022 compared to $36.82 million for the year ended December 31, 2021. The cash flows from investing activities in 2022 relate mainly to the amount paid for the acquisitions of M/V "Molyvos Luck" and M/V "Santa Cruz" and the proceeds from the sale of M/V "Pantelis". The amount paid in 2021 relates mainly to the acquisitions of M/V "Blessed Luck" and M/V "Good Heart".

Net cash from financing activities.

Net cash flows provided by financing activities were $3.01 million for the year ended December 31, 2022, compared to net cash flows provided by financing activities of $22.61 million for the year ended December 31, 2021. This decrease in cash flows provided by financing activities of $19.6 million, compared to the year ended December 31, 2021, is attributable to significantly lower proceeds from long term bank loans and related party loan (net of loan arrangement fees paid) by $56.09 million, significantly lower proceeds from issuance of common stock (net of offering expenses paid) by $7.08 million and a $2.0 million increase in the cash paid for share repurchase. The decrease in net cash flows from financing activities was partly offset by a decrease in repayments of long-term bank loans of $25.18 million, a $2.7 million decrease in repayment of a related party loan,. For the year ended December 31, 2021 an amount of $16.61 million was also paid for the full redemption of the outstanding balance of Series B Preferred Shares and an amount of $1.09 million was paid for preferred dividends.

Year ended December 31, 2021 compared to year ended December 31, 2020

For a discussion of the year ended December 31, 2021 compared to the year ended December 31, 2020, please refer to Part A, Item 5, "Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the year ended December 31, 2021.

Debt Financing

We operate in a capital-intensive industry which requires significant amounts of investment, and we fund a major portion of this investment through long term debt. We maintain debt levels we consider prudent based on our market expectations, cash flow, interest coverage and percentage of debt to capital.

As of December 31, 2022, we had seven outstanding floating interest-bearing loans with a combined outstanding balance of $81.86 million with margins over LIBOR or SOFR ranging from 2.25% to 3.60%. These loans have maturity dates between 2023 and 2027.

Our long-term debt as of December 31, 2022 comprises bank loans granted to our vessel-owning subsidiaries.

Borrower	December 31, 2022	Interest rate (margin + LIBOR / SOFR)
Kamsarmax One Shipping Ltd. / Ultra One Shipping Ltd.	23,200,000	2.75% + LIBOR
Kamsarmax Two Shipping Ltd.	11,950,000	2.80% + LIBOR
Light Shipping Ltd./ Good Heart Shipping Ltd.	17,000,000	2.75% + LIBOR
Eirini Shipping Ltd.	3,530,000	3.60% + LIBOR
Areti Shipping Ltd.	2,400,000	3.50% + LIBOR
Blessed Luck Shipowners Ltd.	4,750,000	2.70% + LIBOR
Molyvos Shipping Ltd. / Santa Cruz Shipowners Ltd.	19,025,000	2.25% + SOFR
	81,855,000	
Less: Current portion	(23,040,000)	
Long-term portion	**58,815,000**	

A description of our loans, as of December 31, 2022, is provided in Note 7 of our attached financial statements. As of December 31, 2022, we are scheduled to repay $23.04 million of the above bank loans in 2023.

Our loan agreements contain covenants.

Our loans have various covenants such as minimum requirements regarding the security cover ratio (the ratio of fair value of vessel to outstanding loan less cash in retention accounts) and restrictions as to changes in management and ownership of the vessel ship-owning companies, distribution of profits or assets (in effect not permitting dividend payment or other distributions in cases that an event of default has occurred), additional indebtedness and mortgage of vessels without the lender's prior consent, sale of vessels, maximum fleet-wide leverage, sale of capital stock of our subsidiaries, ability to make investments and other capital expenditures, entering in mergers or acquisitions, minimum cash balance requirements and minimum cash retention accounts (restricted cash). When necessary, we do provide supplemental collateral in the form of restricted cash or cross-collateralize vessels to ensure compliance with security cover ratio ("loan-to-value" ratio). Increases in restricted cash required to satisfy loan covenants would reduce funds available for investment or working capital and could have a negative impact on our operations. If we cannot cure any violated covenants, we might be required to repay all or part of our loans, which, in turn, might require us to sell one or more of our vessels under distressed conditions. As of December 31, 2022, we were not in default of any credit facility covenant.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions or capital enhancements to our vessels.

In May 2021, we took delivery of the Panamax drybulk carrier, M/V "Blessed Luck", of 76,704 dwt built in 2004 in Japan for $12.13 million. In September 2021, we took delivery of the Ultramax drybulk carrier, M/V "Good Heart", of 62,996 dwt built in 2014 in China for $24.67 million. In February 2022, we took delivery of the Supramax drybulk carrier, M/V "Molyvos Luck", of 57,924 dwt built in 2014 in China for $21.21 million. In April 2022, we took delivery of the Panamax drybulk carrier, M/V "Santa Cruz", of 76,440 dwt built in 2005 in Japan for $15.75 million.

We currently have four vessels scheduled for drydocking over the next 12 months (refer to section above "B. Liquidity and Capital Resources – Cash Flows" for a discussion of how we plan to cover our working capital requirements and capital commitments).

Dividends

In 2020, 2021 and 2022, the Company declared no dividend on its common stock. The Series B Preferred Shares paid dividends in-kind until January 29, 2019 at a rate of 5% per annum. From January 29, 2019 to January 29, 2021, the dividend rate on the Series B Preferred Shares was set to increase to 12% per annum and to 14% per annum thereafter. On June 18, 2019, the Board of Directors agreed to redeem approximately $4.3 million of the Series B Preferred Shares with a simultaneous reduction of the dividend rate to 9.25% per annum until January 29, 2021, after which it would increase to 14% per annum. On April 1, 2020, we agreed with the holders of the Series B Preferred Shares to have the option to pay the preferred dividend in-kind at an annual rate of 10.25%, instead of in cash at an annual rate of 9.25%, with effect from April 1, 2020 until January 29, 2021. On January 29, 2021, we redeemed a net amount of $3 million of our Series B Preferred Shares and, contemporaneously agreed with our Series B Preferred Shareholders to reduce the dividend rate of our Series B Preferred Shares to 8% per annum if paid in cash and 9% if paid in-kind at the Company's option until January 29, 2023, after which date the dividend rate would reset to 14% and would be payable in cash. On December 16, 2021 we redeemed all of our Series B Preferred Shares for an amount of $13.6 million. In 2020, the Company declared $1.57 million in dividends on its Series B Preferred Shares, of which $0.35 million were paid in cash during 2020 and $1.22 million were paid in kind. Within 2021 the Company declared dividends on its Series B Preferred Shares, amounting to $1.09 million, all of which were paid in cash during 2021. We also recorded a preferred deemed dividend of $0.67 million arising out of the redemption of approximately $16.6 million of the Series B Preferred Shares.

C. *Research and development, patents and licenses, etc.*

Not applicable.

D. *Trend information*

Our results of operations depend primarily on the charter rates that we are able to realize. Charter rates paid for drybulk carriers are primarily a function of the underlying balance between vessel supply and demand.

The demand for drybulk carrier capacity is determined by the underlying demand for commodities transported in these vessels, which in turn is influenced by trends in the global economy. One of the main drivers of the drybulk trade has been the growth in imports by China of iron ore, coal and steel products during the last ten years and exports of finished goods. Demand for drybulk carrier capacity is also affected by the operating efficiency of the global fleet, i.e., the average speed the fleet operates, and port congestion.

The supply of drybulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. As of March 31, 2023, as reported by industry sources, the capacity of the worldwide drybulk fleet was approximately 980.9 million dwt with another 67.34 million dwt, or about 6.87% of the present fleet capacity, on order.

The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The average age at which a vessel is scrapped over the last ten years has been between 25 and 27 years, with smaller vessels scrapped at a later age. During strong markets, the average age at which the vessels are scrapped increases; during 2004, 2005, 2006, 2007 and the first nine months of 2008, the majority of the Handysize and Handymax bulkers that were scrapped were in excess of 30 years of age. During the same period, Panamax drybulk carriers were scrapped at an average age of 29 years. However, the scrapping rate increased significantly and the average age decreased since the beginning of October of 2008 when daily charter rates declined. Increased charter rates in the drybulk market commencing in the second quarter of 2009 resulted in decreased scrapping rates of drybulk vessels throughout 2010. However, as the drybulk market declined throughout 2012, 2013, 2014 and 2015, scrapping rates of drybulk vessels increased again. In 2016 drybulk rates decreased and scrapping activity remained strong, at close to 2015 levels. In 2017 scrapping of drybulk vessels declined to almost half of its 2016 level. 2018 saw a further decline in scrapping to 4.4 million dwt, a decline of 70% year on year, while in 2019, a total of 7.9 million dwt were scrapped. In 2020, scrapping activity almost doubled, with a total of 15.20 million dwt being scrapped following the outbreak of COVID-19, at the same time dropping to a third in 2021, with a total of 5.2 million dwt being scrapped. In 2022, the demolition rate remained similar, with 4.5 million dwt having been scrapped during the year. As of March 31, 2023, the year to date 2023 demolition rate is 0.8 million dwt, which is slightly higher than the demolition rate for the corresponding period in 2022 as drybulk export disruptions have eased and economic activity has picked up.

Declining shipping charter hire rates have a negative impact on our earnings when our vessels are employed in the spot market or when they are to be re-chartered after completing a time charter contract. The extent to which COVID-19 will impact our future results of operations and financial condition will depend on future developments, which are uncertain and cannot be predicted, including the high level of uncertainty relating to how the pandemic will evolve, the evolution and emergence of new variants, the availability of vaccines and their global deployment, the development of effective treatments, the imposition of effective public safety and other protective measures and the public's and government's responses to such measures. The Company’s business could be materially and adversely affected by the risks, or the public perception of the risks and travel restrictions related to COVID-19. We are unable to reasonably predict the estimated length or severity of the COVID-19 pandemic on future operating results. As of March 31, 2023, approximately 24% of our ship capacity days for the remainder of 2023 are under time charter contracts. If the market rates decrease from current levels or the supply of vessels increases, our vessels may have difficulty securing employment and, if so, may be employed at rates lower than their present charters.

We recognize that the recent outbreak of the war between Russia and the Ukraine has disrupted supply chains and caused instability in the global economy, while the United States and the European Union, among other countries, announced sanctions against Russia. As discussed above, President Biden issued an executive order setting out sanctions against certain Russian products and investments in Russia, and the United States has also prohibited a variety of specified services related to the maritime transport of Russian Federation origin crude oil and petroleum products, including trading/commodities brokering, financing, shipping, insurance (including reinsurance and protection and indemnity), flagging, and customs brokering. The ongoing conflict could result in the imposition of further economic sanctions against Russia, and the Company's business may be adversely impacted. Currently, the Company's charter contracts have not been affected by the events in Russia and Ukraine; however, it is possible that in the future third parties with whom the Company has or will have charter contracts may be impacted by such events. While in general much uncertainty remains regarding the global impact of the conflict in Ukraine, it is possible that such tensions could adversely affect the Company's business, financial condition, results of operation and cash flows.

E. Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are the most critical accounting estimates that involve a high degree of judgment and the methods of their application.

Impairment of vessels

We review our vessels held for use for impairment whenever events or changes in circumstances (such as vessel market values, vessel sales and purchases, business plans and overall market conditions) indicate that the carrying amount of the vessels may not be recoverable. If indicators for impairment are present, we determine future undiscounted net operating cash flows for the related vessels and compare them to their carrying values. When the estimate of future undiscounted net operating cash flows, excluding interest charges, expected to be generated by the use and eventual disposition of the vessel is less than its carrying amount, we record an impairment loss calculated by comparing the vessel's carrying value to the estimated fair market value. We estimate fair market value primarily through the use of third party valuations performed on an individual vessel basis.

The carrying values of the Company's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings.

As of December 31, 2022, we had indicators of impairment for four of the Company's vessels. As of December 31, 2021, we had no indicators of impairment for any of our vessels. For the vessels with impairment indicators as of December 31, 2022, the Company determined the rates to be used in its impairment analysis based on the prevailing market charter rates for the first two years (based on the length of charters that can be secured at the time of the analysis, generally, one to two years) and on inflation-unadjusted historical average rates for similar vessels, from year three onwards. The Company calculated the historical average rates over a 14-year period for 2022, which starts in 2009 and takes into account complete market cycles, and which provides a more representative reference for the long term rates. These rates are used for the period a vessel is not under a charter contract; if there is a contract, the fixed charter rate of the contract is used for the period of the contract.

Our impairment exercise is highly sensitive on variances in the time charter rates; it also requires assumptions for:

- the effective fleet utilization rate;

- estimated scrap values;
- vessel operating costs;
- future drydocking costs; and
- probabilities of sale for each vessel.

Vessel utilization estimates are based on the status of each vessel at the time of the assessment and the Company's past experience in finding employment for its vessels at comparable market conditions. Cost estimates, like drydocking and operating costs, are based on the Company's data for its own vessels; past estimates for such costs have generally been very close to the actual levels observed. Specifically, we use our budgeted operating expenses escalated by 3.0% per annum and our budgeted drydocking costs, assuming a five-year special survey cycle. Overall, the assumptions are based on historical trends as well as future expectations. The estimated salvage value of each vessel is $250 per light weight ton, in accordance with the Company's vessel depreciation policy. We use a probability weighted approach for developing estimates of future cash flows used to test the vessels for recoverability when alternative uses are under consideration (i.e. sale or continuing operation of a vessel). Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

There can be no assurance as to how long-term charter rates and vessel values will develop as compared to their current levels and as compared to historical average levels for similarly aged vessels or whether they will improve by any significant degree. Charter rates, which improved significantly during 2017 and the first half of 2018, gradually weakened in the second half of 2018 and through most of 2019 and 2020, but improved again for 2021 before softening again during 2022, and may return to their previously depressed levels which could adversely affect our revenue, profitability and future assessments of vessel impairment. Charter rates have significantly improved thus far in 2023. The impairment analysis may determine that the carrying value of a vessel is recoverable if the vessel is held and operated to the end of its useful life, however, if the vessel is sold when the market is depressed, the Company might suffer a loss on the sale. Whether the Company realizes a gain or loss on the sale of a vessel is primarily a function of the relative market values of vessels at the time the vessel was acquired less the accumulated depreciation and impairment, if any, versus the relative market values on the date a vessel is sold.

For a discussion of the potential loss in the case of sale of all of our vessels with market value below their carrying value, we refer to the "Item 4.B. Business Overview – Our Fleet". For the four vessels that as of December 31, 2022 had an impairment indication, a comparison of the average estimated daily TCE rate used in our impairment analysis with the average "break even rate" for the uncontracted period for each of the vessels is presented below:

Vessel	***Charter Rate as of 12/31/2022***	***Remaining Months Chartered***	***Remaining Life (years)***	***Rate Year 1 (2023)***	***Rate Year 2 (2024)***	***Rate Year 3+ (2025+)***	***Breakeven Rate (USD/day)***
*Eirini P**	*8,400*	*0.5*	*7*	*12,781*	*12,781*	*13,648*	*12,666*
*Good Heart***	*-*	*-*	*17*	*13,127*	*13,127*	*15,467*	*13,241*
Santa Cruz	*12,000*	*2*	*8*	*12,776*	*12,776*	*13,643*	*13,194*
*Molyvos Luck****	*25,750*	*2*	*17*	*12,070*	*12,070*	*14,222*	*12,626*

*M/V Eirini P was chartered under short term charters, the latest starting in April 2023 at $15,750/day until October 2023

**M/V Good Heart was chartered under a short term charter at the beginning of the year, was subsequently voyage chartered in February 2023 for about a month at $28,000/day and re-chartered in March 2023 at $13,000/day until May 2023

***M/V Molyvos Luck was chartered under short term charters, the latest starting in March 2023 at $20,875/day and will be open to be re-chartered in April 2023

Recent Accounting Pronouncements

Please refer to Note 2 of the financial statements included in Item 18 of this annual report for a description of recent accounting pronouncements that may apply to us.

Implications of Being an Emerging Growth Company

We had less than $1.07 billion in revenue during our last fiscal year, which means that we qualify as an “emerging growth company” as defined in the JOBS Act. An emerging growth company may take advantage or specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- exemption from the auditor attestation requirement in the assessment of the emerging growth company’s internal controls over financial reporting under Section 404(b) of Sarbanes-Oxley;

- exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies; and

- exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and financial statements.

We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if, among other things, we have more than $1.07 billion in “total annual gross revenues” during the most recently completed fiscal year. We may choose to take advantage of some, but not all, of these reduced burdens. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies. We are choosing to “opt out” of the extended transition period relating to the exemption from new or revised financial accounting standards and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

COVID-19

The COVID-19 pandemic has had a significant negative impact on the global economy and the demand for shipping regionally as well as globally. At present, it is not possible to ascertain any future impact of COVID-19 on the Company’s operational and financial performance, which may take some time to materialize and may not be fully reflected in the Company’s results for 2021 and 2022. An increase in the severity or duration or a resurgence of the COVID-19 pandemic could have a material adverse effect on the Company’s business, results of operations, cash flows, financial condition, the carrying value of the Company’s assets, the fair values of the Company’s vessels, and the Company’s ability to pay dividends.

Russia-Ukraine Conflict

The conflict between Russia and Ukraine, which commenced in February 2022, has disrupted supply chains and caused instability and significant volatility in the global economy. Much uncertainty remains regarding the global impact of the conflict in Ukraine, and it is possible that such instability and resulting volatility could significantly increase our costs and adversely affect our business, including our ability to secure charter and financing on attractive terms, and as a result, adversely affect our business, financial condition, results of operation and cash flows.

As a result of the conflict between Russia and Ukraine, the United States, Switzerland, the European Union, the United Kingdom and others have announced unprecedented levels of sanctions and other measures against Russia and certain Russian entities and nationals. Such sanctions against Russia may adversely affect our business, financial condition, results of operation and cash flows. The ongoing conflict could result in the imposition of further economic sanctions against Russia, with uncertain impacts on the drybulk market and the world economy.

While our vessels do not currently sail in the Black Sea, it is possible that the continued conflict in Ukraine, including any effect on our ability to pay the wages of crew members or consultants who may hold accounts at Russian banks that are subjected to sanctions, any increased shipping costs, disruptions of global shipping routes, any impact on the global supply chain and any impact on current or potential customers caused by the events in Russia and Ukraine, could adversely affect our operations or financial performance. Due to the recent nature of these activities, the full impact on our business is not yet known.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following sets forth the name and position of each of our directors and executive officers.

Name	Age	Position
Aristides J. Pittas	63	Chairman, President and CEO; Class C Director
Dr. Anastasios Aslidis	63	CFO and Treasurer; Class C Director
Aristides P. Pittas	71	Vice Chairman; Class C Director
Stephania Karmiri	55	Secretary
Panagiotis Kyriakopoulos	62	Class A Director
George Taniskidis	62	Class B Director
Apostolos Tamvakakis	65	Class B Director

Aristides J. Pittas has been a member of the Board of Directors and Chairman and Chief Executive Officer of EuroDry since its inception on January 8, 2018. He is also member of the Board of Directors and Chairman and Chief Executive Officer of Euroseas since its inception on May 5, 2005. Since 1997, Mr. Pittas has also been the President of Eurochart, our affiliate. Eurochart is a shipbroking company specializing in chartering and selling and purchasing ships. Since January 1995, Mr. Pittas has been the President and Managing Director of Eurobulk, our affiliated ship management company. He resigned as Managing Director of Eurobulk in June 2005. Eurobulk is a ship management company that provides ocean transportation services. From September 1991 to December 1994, Mr. Pittas was the Vice President of Oceanbulk Maritime SA, a ship management company. From March 1990 to August 1991, Mr. Pittas served both as the Assistant to the General Manager and the Head of the Planning Department of Varnima International SA, a shipping company operating tanker vessels. From June 1987 until February 1990, Mr. Pittas was the head of the Central Planning department of Eleusis Shipyards S.A. From January 1987 to June 1987, Mr. Pittas served as Assistant to the General Manager of Chios Navigation Shipping Company in London, a company that provides ship management services. From December 1985 to January 1987, Mr. Pittas worked in the design department of Eleusis Shipyards S.A. where he focused on shipbuilding and ship repair. Mr. Pittas has a B.Sc. in Marine Engineering from University of Newcastle-Upon-Tyne and a MSc in both Ocean Systems Management and Naval Architecture and Marine Engineering from the Massachusetts Institute of Technology.

Dr. Anastasios Aslidis has been the Chief Financial Officer and Treasurer and a member of the Board of Directors of EuroDry since May 5, 2018. He is also member of the Board of Directors, Treasurer and Chief Financial Officer of Euroseas since September 2005. Prior to joining Euroseas, Dr. Aslidis was a partner at Marsoft Inc., an international consulting firm focusing on investment and risk management in the maritime industry. Dr. Aslidis has more than 30 years of experience in the maritime industry. He also served as consultant to the Boards of Directors of shipping companies (public and private) advising on strategy development, asset selection and investment timing. Dr. Aslidis holds a Ph.D. in Ocean Systems Management (1989) from the Massachusetts Institute of Technology, M.S. in Operations Research (1987) and M.S. in Ocean Systems Management (1984) also from the Massachusetts Institute of Technology, and a Diploma in Naval Architecture and Marine Engineering from the National Technical University of Athens (1983).

Aristides P. Pittas has been a member of EuroDry's Board of Directors and Vice Chairman of the Board of EuroDry since its inception on January 8, 2018. He is also member of the Board of Directors of Euroseas since its inception on May 5, 2005 and its Vice Chairman since September 1, 2005. Mr. Pittas has been a shareholder in over 100 oceangoing vessels during the last 20 years. Since February 1989, Mr. Pittas has been the Vice President of Oceanbulk Maritime SA, a ship management company. From November 1987 to February 1989, Mr. Pittas was employed in the supply department of Drytank SA, a shipping company. From November 1981 to June 1985, Mr. Pittas was employed at Trust Marine Enterprises, a brokerage house as a sale and purchase broker. From September 1979 to November 1981, Mr. Pittas worked at Gourdomichalis Maritime SA in the operation and Freight Collection department. Mr. Pittas has a B.Sc in Economics from Athens School of Economics.

Stephania Karmiri has been a member of the Board of Directors of EuroDry since its inception on January 8, 2018 until May 5, 2018, and EuroDry's Secretary since May 5, 2018. She has also been Euroseas' Secretary since its inception on May 5, 2005. Since July 1995, Mrs. Karmiri has been executive secretary to Eurobulk, our affiliated ship management company. Eurobulk is a ship management company that provides ocean transportation services. At Eurobulk, Mrs. Karmiri has been responsible for dealing with sale and purchase transactions, vessel registrations/deletions, bank loans, supervision of office administration and office/vessel telecommunication. From May 1992 to June 1995, she was secretary to the technical department of Oceanbulk Maritime SA, a ship management company. From 1988 to 1992, Mrs. Karmiri served as assistant to brokers for Allied Shipbrokers, a company that provides shipbroking services to sale and purchase transactions. Mrs. Karmiri has taken assistant accountant and secretarial courses from Didacta college.

Panagiotis Kyriakopoulos has been a member of the Board of Directors of EuroDry since May 5, 2018. He has also been a member of the Board of Directors of Euroseas since its inception on May 5, 2005. Since July 2002, he has been the Chief Executive Officer of STAR INVESTMENTS S.A., one of the leading Mass Media Companies in Greece, running television and radio stations. From July 1997 to July 2002 he was the C.E.O. of the Hellenic Post Group, the Universal Postal Service Provider, having the largest retail network in Greece for postal and financial services products. From March 1996 until July 1997, Mr. Kyriakopoulos was the General Manager of ATEMKE SA, one of the leading construction companies in Greece listed on the Athens Stock Exchange. From December 1986 to March 1996, he was the Managing Director of Globe Group of Companies, a group active in the areas of shipowning and management, textiles and food and distribution. The company was listed on the Athens Stock Exchange. From June 1983 to December 1986, Mr. Kyriakopoulos was an assistant to the Managing Director of Armada Marine S.A., a company active in international trading and shipping, owning and managing a fleet of twelve vessels. Presently he is Chairman of the Hellenic Private Television Owners Association, BoD member of the Hellenic Federation of Enterprises (SEV) and BoD member of Digea S.A. He has also been an investor in the shipping industry for more than 20 years. Mr. Kyriakopoulos has a B.Sc. degree in Marine Engineering from the University of Newcastle upon Tyne, a MSc. degree in Naval Architecture and Marine Engineering with specialization in Management from the Massachusetts Institute of Technology and a Master degree in Business Administration (MBA) from Imperial College, London.

George Taniskidis has been a member of the Board of Directors of EuroDry since May 5, 2018. He has also been a member of the Board of Directors of Euroseas since its inception on May 5, 2005. He is the Chairman of Optima Bank and Chairman of Core Capital Partners, a consulting firm specializing in debt restructuring. He was Chairman and Managing Director of Millennium Bank and a member of the Board of Directors of BankEuropa (subsidiary bank of Millennium Bank in Turkey) until May 2010. He was also a member of the Executive Committee and the Board of Directors of the Hellenic Banks Association. From 2003 until 2005, he was a member of the Board of Directors of Visa International Europe, elected by the Visa issuing banks of Cyprus, Malta, Portugal, Israel and Greece. From 1990 to 1998, Mr. Taniskidis worked at XIOSBANK (until its acquisition by Piraeus Bank in 1998) in various positions, with responsibility for the bank's credit strategy and network. Mr. Taniskidis studied Law in the National University of Athens and in the University of Pennsylvania Law School, where he received a L.L.M. After law school, he joined the law firm of Rogers & Wells in New York, where he worked until 1989 and was also a member of the New York State Bar Association. He is also a member of the Young Presidents Organization.

Apostolos Tamvakakis has been a member of the Board of Directors of EuroDry since May 5, 2018. He has also been a member of the Board of Directors of Euroseas since June 25, 2013. From January 2015 to February 2017 he was independent non-executive Vice Chairman of the Board of Directors of Piraeus Bank. Since July 2012 he participated as a Member of the Board of Directors and Committees in various companies. From December 2009 to June 2012, Mr. Tamvakakis was appointed Chief Executive Officer of the National Bank of Greece. From May 2004 to March 2009, he served as Chairman and Managing Director of Lamda Development, a real estate development company of the Latsis Group and from March 2009 to December 2009, he served on the management team of the Geneva-based Latsis Group, as Head of Strategy and Business Development. From October 1998 to April 2004, he served as Deputy CEO of National Bank of Greece. Prior to that, he worked as Deputy Governor of National Mortgage Bank of Greece, as Deputy General Manager of ABN AMRO Bank, as Manager of Corporate Finance at Hellenic Investment Bank and as Planning Executive at Mobil Oil Hellas. He also served as Vice-Chairman of Athens Stock Exchange, Chairman of the Steering Committee of Interalpha Group of Banks, Chairman of Ethnokarta, National Securities, AVIS (Greece), ETEVA and the Southeastern European Board of the Europay Mastercard Group. Mr. Tamvakakis has also served in numerous boards of directors and committees. He is the Chairman and Managing Partner of EOS Capital Partners Alternative Investment Fund Manager, the investment manager of a private equity fund "EOS Hellenic Renaissance Fund". He holds the positions of Vice Chairman of Gek Terna, Member of the BoD of Quest Holdings, Chairman of the Liquidations Committee of PQH Single Special Liquidation S.A. and member of the Marketing Commission of the Hellenic Olympic Committee. He is a graduate of the Athens University of Economics and has an M.A. in Economics from the Saskatchewan University in Canada with major in econometrics and economics.

Board Diversity Matrix

As a foreign private issuer listed on the Nasdaq Capital Market, we are required to disclose certain self-identified diversity characteristics about our Directors pursuant to Nasdaq board diversity and disclosure rules. The Board Diversity Matrix set forth below contains the requisite information as of the date of this annual report.

Board Diversity Matrix (As of March 31, 2023)

Country of Principal Executive Offices	**Greece**
Foreign Private Issuer	**Yes**
Disclosure Prohibited under Home Country Law	**No**
Total Number of Directors	**6**

	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors		6		
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction				
LGBTQ+				
Did Not Disclose Demographic Background		6		

Family Relationships

Aristides P. Pittas, Vice Chairman, is the cousin of Aristides J. Pittas, our Chairman, President and CEO.

B. Compensation

Executive Compensation

We have no direct employees. The services of our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary are provided by Eurobulk. See Item 7 – "Major Shareholders and Related Party Transactions".

Director Compensation

Our directors who are also our officers or have executive positions or beneficially own greater than 10% of the outstanding common shares receive no compensation for serving on our Board of Directors or its committees.

Directors who are not our officers, do not have any executive position or do not beneficially own greater than 10% of the outstanding common shares receive the following compensation: an annual retainer of $7,500, plus $1,875 for attending a quarterly meeting of the Board of Directors, plus an additional retainer of $3,750 if serving as Chairman of the Audit Committee. They also participate in the Company's Equity Incentive Plan.

All directors are reimbursed reasonable out-of-pocket expenses incurred in attending meetings of our Board of Directors or any committee of our Board of Directors.

Equity Incentive Plan

In May 2018, our Board of Directors approved an equity incentive plan. The equity incentive plan is administered by the Board of Directors which can make awards totaling in aggregate up to 150,000 shares over five years after the equity incentive plan's adoption date. Officers, directors and employees (including any prospective officer or employee) of the Company and its subsidiaries and affiliates and consultants and service providers to (including persons who are employed by or provide services to any entity that is itself a consultant or service provider to) the Company and its subsidiaries and affiliates are eligible to receive awards under the equity incentive plan. Awards may be made under the equity incentive plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares.

On November 4, 2019, the Board of Directors awarded 24,710 shares of restricted stock to our directors, officers and key employees of Eurobulk, 50% of which vested on July 1, 2020 and the remainder vested on July 1, 2021.

On November 5, 2020, the Board of Directors awarded 44,900 shares of restricted stock to our directors, officers and key employees of Eurobulk, 50% of which vested on November 16, 2021, and the remainder vested on November 16, 2022. There were 1,314 shares that were forfeited due to employee termination.

On November 19, 2021, the Board of Directors awarded 49,650 shares of restricted stock to our directors, officers and key employees of Eurobulk, 50% of which vested on July 1, 2022, and the remainder will vest on July 1, 2023. Vesting of the awards is conditioned on continuous employment throughout the period to the vesting date.

On November 3, 2022, the Board of Directors awarded 58,600 shares of restricted stock to our directors, officers and key employees of Eurobulk, 50% of which will vest on November 16, 2023, and the remainder will vest on November 15, 2024. Vesting of the awards is conditioned on continuous employment throughout the period to the vesting date.

C. Board Practices

The current term of our Class A director expires in 2024, the current term of our Class B directors expires in 2025 and the current term of our Class C directors expires in 2023.

There are no service contracts between us and any of our directors providing for benefits upon termination of their employment or service.

Our Board of Directors does not have separate compensation or nomination committees, and instead, the entire Board of Directors performs those responsibilities.

Audit Committee

We currently have an Audit Committee comprised of three independent members of our Board of Directors. The Audit Committee is responsible for reviewing the Company's accounting controls and the appointment of the Company's outside auditors. The members of the Audit Committee are Mr. Panagiotis Kyriakopoulos (Chairman and "audit committee financial expert" as such term is defined under SEC regulations), Mr. Apostolos Tamvakakis and Mr. George Taniskidis.

Code of Ethics

We have adopted a code of ethics that complies with the applicable guidelines issued by the SEC. Our code of ethics is posted on our website: http://www.eurodry.gr under "Corporate Governance."

Corporate Governance

Our Company's corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. We are exempt from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with Nasdaq corporate governance practices, and the establishment and composition of an audit committee and a formal written audit committee charter. The practices that we follow in lieu of Nasdaq's corporate governance rules are described below.

- We are not required under Marshall Islands law to maintain a Board of Directors with a majority of independent directors, and we may not be able to maintain a Board of Directors with a majority of independent directors in the future.

- In lieu of a compensation committee comprised of independent directors, our Board of Directors will be responsible for establishing the executive officers' compensation and benefits. Under Marshall Islands law, compensation of the executive officers is not required to be determined by an independent committee.

- In lieu of a nomination committee comprised of independent directors, our Board of Directors will be responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders may also identify and recommend potential candidates to become board members in writing. No formal written charter has been prepared or adopted because this process is outlined in our bylaws.

- In lieu of obtaining an independent review of related party transactions for conflicts of interests, consistent with Marshall Islands law requirements, a related party transaction will be permitted if: (i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, or, if the votes of the disinterested directors are insufficient to constitute an act of the Board of Directors as defined in Section 55 of the Marshall Islands Business Corporations Act, by unanimous vote of the disinterested directors; or (ii) the material facts as to his or her relationship or interest are disclosed and the shareholders are entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a simple majority vote of the shareholders; or (iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us advance notice to properly introduce any business at a meeting of the shareholders. Our bylaws also provide that shareholders may designate in writing a proxy to act on their behalf.

- In lieu of holding regular meetings at which only independent directors are present, our entire Board of Directors, a majority of whom are independent, will hold regular meetings as is consistent with the laws of the Republic of the Marshall Islands.

- The Board of Directors adopted a new Equity Incentive Plan in May 2018. Shareholder approval was not necessary since Marshall Islands law permits the Board of Directors to take such actions.

- As a foreign private issuer, we are not required to obtain shareholder approval if any of our directors, officers, or 5% or greater shareholders has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company, or assets to be acquired, or in the consideration to be paid in the transaction(s) and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common stock or voting power of 5% or more.

- In lieu of obtaining shareholder approval prior to the issuance of designated securities, the Company will comply with provisions of the Marshall Islands Business Corporations Act, providing that the Board of Directors approves share issuances.

Other than as noted above, we are in full compliance with all other applicable Nasdaq corporate governance standards.

D. Employees

We have no salaried employees, although we pay Eurobulk for the services of our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Internal Auditor and Secretary: Mr. Aristides J. Pittas, Dr. Anastasios Aslidis, Mr. Symeon Pariaros, Mr. Konstantinos Siadimas and Ms. Stephania Karmiri, respectively. Eurobulk and Eurobulk FE also ensure that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that all of our vessels employ experienced and competent personnel. As of December 31, 2022, approximately 92 officers and 134 crew members served on board the vessels in our fleet.

E. Share Ownership

With respect to the ownership of our common stock by each of our directors and executive officers, and all of our directors and executive officers as a group, see “Item 7. Major Shareholders and Related Party Transactions”.

All of the shares of our common stock have the same voting rights and are entitled to one vote per share.

Equity Incentive Plan

See Item 6.B of this annual report, “Compensation.”

Options

No options were granted during the fiscal year ended December 31, 2022. There are currently no options outstanding to acquire any of our shares.

Warrants

We do not currently have any outstanding warrants.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not Applicable.

Item 7. Major Shareholders and Related Party Transactions

A. Major Stockholders

The following table sets forth certain information regarding the beneficial ownership of our voting stock as of March 31, 2023 by each person or entity known by us to be the beneficial owner of more than 5% of the outstanding shares of our voting stock, each of our directors and executive officers, and all of our directors and executive officers and 5% owners as a group. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock (14)
Friends Dry Investment Company Inc.(2)	868,928	30.6%
Family United Navigation Co (3)	287,443	10.1%
Ergina Shipping Ltd.(4)	180,308	6.3%
Aristides J Pittas(5)	97,133	3.4%
Anastasios Aslidis (6)	23,300	*
Panagiotis Kyriakopoulos (7)	4,400	*
George Taniskidis (8)	4,221	*
Aristides P. Pittas (9)	9,870	*
Apostolos Tamvakakis (10)	3,200	*
Symeon Pariaros(11)	3,400	*
Konstantinos Siadimas(12)	3,200	*
Stephania Karmiri (13)	800	*
All directors and officers and 5% owners as a group	1,486,203	52.3%

* Indicates less than 1.0%.

(1) Beneficial ownership is determined in accordance with the Rule 13d-3(a) of the Securities Exchange Act of 1934, as amended, and generally includes voting or investment power with respect to securities. Except as subject to community property laws, where applicable, the person named above has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by him/her.

(2) Represents shares of common stock held of record by Friends Dry. A majority of the shareholders of Friends Dry are members of the Pittas family. Investment power and voting control by Friends Dry resides in its Board of Directors which consists of five directors, a majority of whom are members of the Pittas family. Actions by Friends Dry may be taken by a majority of the members on its Board of Directors.

(3) Represents shares of common stock held of record by Family United Navigation Co. (“FUN”). A majority of the shareholders of FUN are members of the Pittas family. Investment power and voting control by FUN resides in its Board of Directors which consists of three directors, affiliated with the Pittas family. Actions by FUN may be taken by a majority of the members on its Board of Directors.

(4) Represents shares of common stock held of record by Ergina Shipping Ltd. A majority of the shareholders of Ergina Shipping Ltd. are members of the Pittas family. Investment power and voting control by Ergina Shipping Ltd. resides in its Board of Directors which consists of three directors, affiliated with the Pittas family. Actions by Ergina Shipping Ltd. may be taken by a majority of the members on its Board of Directors.

(5) Does not include 142,755 shares of common stock held of record by Friends Dry and Ergina Shipping Ltd., by virtue of ownership interest in Friends Dry and Ergina Shipping Ltd. by Mr. Pittas. Mr. Pittas disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 5,400 shares vesting on July 1, 2023, 5,500 shares vesting on November 16, 2023 and 5,500 shares vesting on November 15, 2024.

(6) Includes 3,650 shares vesting on July 1, 2023, 3,750 shares vesting on November 16, 2023 and 3,750 shares vesting on November 15, 2024.

(7) Includes 600 shares vesting on July 1, 2023, 700 shares vesting on November 16, 2023 and 700 shares vesting on November 15, 2024.

(8) Does not include 4,248 shares held of record by Friends Dry, by virtue of Mr. Taniskidis’ ownership in Friends Dry. Mr. Taniskidis disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 600 shares vesting on July 1, 2023, 700 shares vesting on November 16, 2023 and 700 shares vesting on November 15, 2024.

9) Does not include 115,883 shares of common stock held of record by Friends Dry, Family United Navigation Co. and Ergina Shipping Ltd., by virtue of ownership interest in Friends Dry, Family United Navigation Co., and Ergina Shipping Ltd., of Mr. Pittas and members of his family. Mr. Pittas disclaims beneficial ownership except to the extent of his pecuniary interest. Includes 1,500 shares vesting on July 1, 2023, 1,550 shares vesting on November 16, 2023 and 1,550 shares vesting on November 15, 2024.

(10) Includes 600 shares vesting on July 1, 2023, 700 shares vesting on November 16, 2023 and 700 shares vesting on November 15, 2024.

(11) Includes 750 shares vesting on July 1, 2023, 950 shares vesting on November 16, 2023 and 950 shares vesting on November 15, 2024.

(12) Includes 600 shares vesting on July 1, 2023, 700 shares vesting on November 16, 2023 and 700 shares vesting on November 15, 2024.

(13) Includes 150 shares vesting on July 1, 2023, 250 shares vesting on November 16, 2023 and 250 shares vesting on November 15, 2024.

(14) Voting stock includes 82,950 unvested shares for a total of 2,844,190 issued and outstanding shares of the Company as of March 31, 2023.

B. Related Party Transactions

The operations of our vessels are managed by Eurobulk and Eurobulk FE, both affiliated companies. Eurobulk was founded in 1994 by members of the Pittas family and is a reputable ship management company with strong industry relationships and experience in managing vessels. Eurobulk FE was founded in 2015 and is based in the Philippines. Eurobulk manages certain corporate matters and certain vessels of our fleet under a Master Management Agreement with us and separate management agreements with each shipowning company. Eurobulk FE manages four of our vessels under similar management agreements with the respective ship-owning companies.

Under our Master Management Agreement, Eurobulk is responsible for providing us with executive services associated with us being a public company. Under the separate management agreements with the shipowning companies, Eurobulk or Eurobulk FE are responsible for providing (i) other administration services to our subsidiaries and commercial management services, which include obtaining employment for our vessels and managing our relationships with charterers; and (ii) technical management services, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, arranging insurance for vessels, purchasing stores, supplies, spares and new equipment for vessels, appointing supervisors and technical consultants and providing technical support and shoreside personnel who carry out the management functions described above and certain accounting services.

EuroDry signed new Master Management Agreements (“MMAs”) with the Managers which took effect after the completion of the Spin-off. Our Master Management Agreement with Eurobulk compensates Eurobulk with an annual executive compensation and a daily management fee per vessel managed. For the Company post Spin-off the annual compensation for such services was set at $1,250,000. This amount was $1,250,000 for each of 2020, 2021 and 2022.

The executive management fee will be adjusted annually for Eurozone inflation every January 1. Effective from January 1, 2023, this fee was increased to $1,350,000 to account for inflation. For 2021 and 2022 we also paid an additional special bonus of $460,000 and $210,000, respectively, to Eurobulk’s employees, affiliated subcontractors and consultants. Our Master Management Agreement is substantially similar to the master management agreement between Euroseas and Eurobulk relating to our vessels that were previously owned by Euroseas. The Master Management Agreement is terminable by Eurobulk only for cause or under other limited circumstances, such as sale of the Company or Eurobulk or the bankruptcy of either party. The management agreements between Eurobulk FE and the ship-owning companies follow substantially the same terms of the similar agreements with Eurobulk.

The EuroDry Master Management Agreement ("MMA") with the Managers provides for an annual adjustment of the daily vessel management fee due to inflation in the Eurozone to take effect on January 1 of each year. The vessel management fee for laid-up vessels is half of the daily fee. This MMA, as periodically amended and restated, will automatically be extended after the initial five-year period for an additional five-year period unless terminated on or before the 90th day preceding the initial termination date. Pursuant to the MMA, each ship-owning company has signed – and each future ship owning company when a vessel is acquired will sign - with the Managers, a management agreement with the rate and term of these agreements set in the MMA effective at such time.

The MMA also provided for a 5% discount on the daily vessel management fee for the period during which the number of the Euroseas-owned vessels (including vessels in which Euroseas is a part owner) managed by the Managers is greater than 20 ("volume discount"). EuroDry signed new MMAs with the Managers which took effect after the completion of the Spin-off for an additional five-year term until January 1, 2023, on substantially the same terms as the MMA between Euroseas and Eurobulk relating to the vessels that were previously owned by Euroseas. The EuroDry MMAs permanently incorporated the volume discount in the daily vessel management fee, which was set at 685 Euros per day per vessel in operation, and 342.50 Euros per day per vessel in lay-up, to be adjusted annually for inflation in the Eurozone. The daily fixed vessel management fee remained unchanged at 685 Euros for the years ended December 31, 2020 and 2021. From January 1, 2022 the daily vessel management fee was adjusted for inflation to 720 Euros (approximately $770, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in operation and 360 Euros (approximately $385, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in lay-up. Vessel management fees paid to the Managers amounted to $2,018,800, $2,350,747 and $2,968,073 in 2020, 2021 and 2022, respectively. From January 1, 2023 the daily vessel management fee was adjusted for inflation at 775 Euros (approximately $829, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in operation and 387.5 Euros (approximately $415, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in lay-up and the MMA was extended for a further five-year term until January 1, 2028.

The management of the M/V “Xenia”, M/V “Alexandros P.”, M/V “Tasos” and M/V “Ekaterini” is performed by Eurobulk FE, which provides technical, commercial and accounting services. The remaining fleet (M/V “Santa Cruz”, M/V “Eirini P.”, M/V “Good Heart”, M/V “Blessed Luck”, M/V “Molyvos Luck” and M/V “Starlight”) is managed by Eurobulk.

We receive chartering and sale and purchase services from Eurochart, an affiliate, and pay a commission of 1.25% on charter revenue and 1% on vessel sale price. During 2020, 2021 and 2022 Eurochart received $294,933, $856,334 and $932,123, respectively, for chartering services calculated at 1.25% of chartering revenues. Eurochart also receives 1% commission of the acquisition price from the seller of the vessel for the vessels we acquire. We withheld, on behalf of Eurochart, nil commissions in 2020, as there were no vessel acquisitions. During 2021, we paid to Eurochart commissions of $365,000 for the acquisitions of M/V “Blessed Luck” and M/V “Good Heart”, which were agreed to be paid by the buyers, as per the relevant memoranda of agreement entered into with the sellers. During 2022, we paid to Eurochart a commission of $210,000 for the acquisition of M/V “Molyvos Luck” and we withheld, on behalf of Eurochart, a commission of $157,500 from the sellers of M/V “Santa Cruz”. We also paid to Eurochart a commission of $96,750 for the sale of M/V “Pantelis”.

Technomar S.A., a crewing agent, and Sentinel Marine Services Inc., an insurance brokering company are affiliates to whom we pay a fee of about $50 per crew member per month and a commission on premium not exceeding 5%, respectively.

On May 10, 2021, we reached an agreement with a related party and beneficial owner, Ergina Shipping Ltd. (“Ergina”), a company controlled by the Pittas family and affiliated with the Company’s Chief Executive Officer, to draw a loan of $6.0 million, which was used by us to partly finance the acquisition of M/V “Blessed Luck”. The loan was set to mature on May 31, 2022. The interest rate applied was 8% per annum. Interest on the loan was payable quarterly. Within 2021 we paid $0.08 million for interest. On June 4, 2021, Ergina exercised its right to convert part of the outstanding balance of the loan, amounting to $3.3 million, into the Company’s common shares as per the terms of the loan agreement. As a result, on June 4, 2021, we issued 180,308 shares to Ergina. The conversion price was the lowest closing price over the fifteen business days prior to the conversion notice as per the terms of the loan, amounting to approximately $18.30 per share. We incurred a loss on the extinguishment of the above debt of $1.6 million, deriving from the difference between the conversion price and the closing price of the Company’s common shares on the Nasdaq Capital Market on the date of issuance of approximately $27.44 per share. The remaining amount of $2.7 million was repaid earlier than scheduled on September 29, 2021.

Aristides J. Pittas is currently the Chairman of each of Eurochart and Eurobulk, all of which are our affiliates.

We have entered into a registration rights agreement with Friends Investment Company Inc. ("Friends"), which registration rights were transferred to Friends Dry, our largest shareholder, pursuant to which we granted Friends Dry the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act shares of our common stock held by Friends Dry. Under the registration rights agreement, Friends Dry has the right to request us to register the sale of shares held by it on its behalf and may require us to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, Friends Dry has the ability to exercise certain piggyback registration rights in connection with registered offerings initiated by us.

Eurobulk, Eurobulk FE, Friends and Aristides J. Pittas, our Chairman and Chief Executive Officer, have granted us a right of first refusal to acquire any drybulk vessel or containership which any of them may consider for acquisition in the future. In addition, Mr. Pittas has granted us a right of first refusal to accept any chartering out opportunity for a drybulk vessel which may be suitable for any of our vessels, provided that we have a suitable vessel, properly situated and available, to take advantage of the chartering out opportunity. Mr. Pittas has also agreed to use his best efforts to cause any entity he directly or indirectly controls to grant us this right of first refusal.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18.

Legal Proceedings

To our knowledge, there are no material legal proceedings to which we are a party or to which any of our properties are subject, other than routine litigation incidental to our business. In our opinion, the disposition of these lawsuits should not have a material impact on our consolidated results of operations, financial position and cash flows.

Dividend Policy

Thus far we have not paid a dividend to our common shareholders. The exact timing and amount of any future dividend payments to our common stock will be determined by our Board of Directors and will be dependent upon our earnings, financial condition, cash requirement and availability, restrictions in its loan agreements, growth strategy, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors, such as the acquisition of additional vessels.

The payment of dividends to our common stock is not guaranteed or assured, and may again be discontinued at any time at the discretion of our Board of Directors. Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends will depend on the earnings and cash flow of these subsidiaries and their ability to pay dividends to us. If there is a substantial decline in the drybulk charter market, our earnings would be negatively affected, thus limiting our ability to pay dividends. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends. Dividends may be declared in conformity with applicable law by, and at the discretion of, our Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, stock or other property of the Company.

The Series B Preferred Shares paid dividends in-kind until January 29, 2019 at a rate of 5% per annum. From January 29, 2019 to January 29, 2021, the dividend rate on the Series B Preferred Shares was set to increase to 12% per annum and to 14% per annum thereafter and the related dividends would be payable in cash. On June 18, 2019, the Board of Directors agreed to redeem approximately $4.3 million of the Series B Preferred Shares with a simultaneous reduction of the dividend rate to 9.25% per annum until January 29, 2021, after which it would increase to 14% per annum, payable in cash. On April 1, 2020, we agreed with the holders of the Series B Preferred Shares to have the option to pay the preferred dividend in-kind at an annual rate of 10.25%, instead of in cash at an annual rate of 9.25%, with effect from April 1, 2020 until January 29, 2021.

On January 29, 2021, the Board of Directors agreed to redeem a net amount of $3 million of the Series B Preferred Shares with a simultaneous reduction of the dividend rate to 8% per annum if paid in cash and 9% if paid in-kind at the Company's option until January 29, 2023, after which date the dividend rate would reset to 14% and would be payable in cash. On December 16, 2021, the Board of Directors agreed to redeem all $13.61 million outstanding Series B Preferred Shares. The Company declared $1.09 million of dividends on its Series B Preferred Shares during 2021, which were paid in cash and $1.57 million in dividends on its Series B Preferred Shares during 2020, of which $0.35 million were paid in cash and another $1.22 million were paid in-kind. In addition, $0.67 million of preferred deemed dividends were recorded in 2021 as a result of the redemption of $3.0 million and $13.61 million of the Series B Preferred Shares in January and December 2021, respectively, representing the difference between (1) the fair value of the consideration transferred to the holders of the EuroDry Series B Preferred Shares (comprising the cash payment offered) and (2) the carrying amount of the Series B Preferred Shares before the redemption (net of issuance costs).

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report, other than those described in Note 17 "Subsequent events" of our annual consolidated financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

The trading market for shares of our common stock is the Nasdaq Capital Market, on which our shares have traded under the symbol "EDRY" since May 31, 2018.

B. Plan of Distribution

Not Applicable.

C. Markets

The trading market for shares of our common stock is the Nasdaq Capital Market, on which our shares have traded under the symbol "EDRY" since May 31, 2018. Our shares began trading on the Nasdaq Global Market on May 24, 2018 under the symbol "EDRYV" and continued through the close of trading on May 30, 2018. Beginning on May 31, 2018, "when-issued" trading under the symbol "EDRYV" ended and EuroDry Ltd. begun "regular-way" trading on the NASDAQ under the symbol "EDRY".

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. *Memorandum and Articles of Association*

Amended and Restated Articles of Incorporation and Bylaws, as amended

Our current amended and restated articles of incorporation are filed with the SEC as Exhibit 1.1 (Amended and Restated Articles of Incorporation) to this Annual Report on Form 20-F, and our current bylaws, as amended, are filed with the SEC as Exhibit 1.2 (Amended and Restated Bylaws) to this Annual Report on Form 20-F.

Purpose

Our purpose, as stated in our amended and restated articles of incorporation, is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Business Corporations Act of the Marshall Islands, or the BCA.

Authorized Capitalization

Under our amended and restated articles of incorporation, our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share and 20,000,000 shares of preferred stock par value $0.01 per share. All of our shares of stock are in registered form.

Common Stock

As of March 31, 2023, we are authorized to issue up to 200,000,000 shares of common stock, par value $0.01 per share, of which there are 2,844,190 shares issued and outstanding. Each outstanding share of common stock is entitled to one vote, either in person or by proxy, on all matters that may be voted upon by their holders at meetings of the shareholders. Holders of our common stock (i) have equal ratable rights to dividends from funds legally available therefore, if declared by the Board of Directors; (ii) are entitled to share ratably in all of our assets available for distribution upon liquidation, dissolution or winding up; and (iii) do not have preemptive, subscription or conversion rights or redemption or sinking fund provisions. All issued shares of our common stock when issued will be fully paid for and non-assessable.

Preferred Stock

As of March 31, 2023, we are authorized to issue up to 20,000,000 shares of preferred stock par value $0.01 per share, of which no shares are currently issued and outstanding.

Directors

Our directors are elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election. Cumulative voting may not be used to elect directors.

Our Board of Directors must consist of at least three directors, such number to be determined by the Board of Directors by a majority vote of the entire Board of Directors from time to time. Shareholders may change the number of our directors only by an affirmative vote of the holders of the majority of the outstanding shares of capital stock entitled to vote generally in the election of directors.

Our Board of Directors is divided into three classes as set out below in “Classified Board of Directors.” Each director is elected to serve until the third succeeding annual meeting after his election and until his successor shall have been elected and qualified, except in the event of his death, resignation or removal.

Shareholder Meetings

Under our bylaws, as amended, annual shareholder meetings will be held at a time and place selected by our Board of Directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called at any time by the Board of Directors, the Chairman of the Board or by the President. Notice of every annual and special meeting of shareholders must be given to each shareholder of record entitled to vote at least 15 but no more than 60 days before such meeting.

Dissenters' Rights of Appraisal and Payment

Under the BCA, our shareholders have the right to dissent from various corporate actions, including any merger or consolidation or sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our amended and restated articles of incorporation, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which the Company's shares are primarily traded on a local or national securities exchange.

Shareholders Derivative Actions

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Limitations on Liability and Indemnification of Officers and Directors

The BCA authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. Our bylaws, as amended, include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent permitted by law.

Our bylaws, as amended, provide that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our bylaws, as amended, may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Anti-takeover Effect of Certain Provisions of our Amended and Restated Articles of Incorporation and Bylaws, as Amended

Several provisions of our amended and restated articles of incorporation and bylaws, as amended, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change in control and enhance the ability of our Board of Directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (2) the removal of incumbent officers and directors.

Blank Check Preferred Stock

Under the terms of our amended and restated articles of incorporation, our Board of Directors has authority, without any further vote or action by our shareholders, to issue up to 20,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change in control of our company or the removal of our management.

Classified Board of Directors

Our amended and restated articles of incorporation provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our Board of Directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our Board of Directors from removing a majority of our Board of Directors for two years.

Election and Removal of Directors

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our bylaws, as amended, require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our bylaws, as amended, also provide that our directors may be removed only for cause and by either action of the Board of Directors or the holders of 51% of the issued and outstanding voting shares of the Company. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited Actions by Shareholders

Our amended and restated articles of incorporation and our bylaws, as amended, provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our amended and restated articles of incorporation and our bylaws, as amended, provide that, subject to certain exceptions, our Board of Directors, our Chairman of the Board or by the President and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may not call a special meeting and shareholder consideration of a proposal may be delayed until the next annual meeting.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our bylaws, as amended, provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder’s notice must be received at our principal executive offices not less than 150 days nor more than 180 days prior to the one-year anniversary of the immediately preceding annual meeting of shareholders. Our bylaws, as amended, also specify requirements as to the form and content of a shareholder’s notice. These provisions may impede shareholders’ ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

Certain Business Combinations

Our amended and restated articles of incorporation also prohibit us, subject to several exclusions, from engaging in any “business combination” with any interested shareholder for a period of three years following the date the shareholder became an interested shareholder.

Shareholders*’ *Rights Plan

We adopted a shareholders’ rights plan on May 5, 2018. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from us one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $26, subject to adjustment. The rights will expire on the earliest of (i) May 30, 2028 or (ii) redemption or exchange of the rights. The plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of the company. We believe that the shareholders' rights plan should enhance the board of directors' negotiating power on behalf of shareholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals and we adopted the plan as a matter of prudent corporate governance. A copy of the plan is filed as Exhibit 2.4 to this Annual Report on Form 20-F.

C. Material Contracts

We have a number of credit facilities with commercial banks. For a discussion of our facilities, please see the section of this annual report entitled “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Financing”~~,~~ and Note 7 of our attached financial statements.

We are a party to a registration rights agreement with Friends, which was transferred to Friends Dry. For a discussion of these agreements, please see the section of this annual report entitled “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

There are no other material contracts, other than contracts entered into in the ordinary course of business, to which the Company or any of its subsidiaries is a party.

D. Exchange Controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our shares.

E. Taxation

The following is a discussion of the material Marshall Islands, Liberian and United States federal income tax considerations applicable to us and U.S. Holders and Non-U.S. Holders, each as discussed below, of our common stock.

Marshall Islands Tax Considerations

We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to holders of our common stock that are not residents or domiciled or carrying any commercial activity in the Marshall Islands. The holders of our common stock will not be subject to Marshall Islands tax on the sale or other disposition of such common stock.

Liberian Tax Considerations

Certain of our subsidiaries are incorporated in the Republic of Liberia. Under the Consolidated Tax Amendments Act of 2010, our Liberian subsidiaries will be deemed non-resident Liberian corporations wholly exempted from Liberian taxation effective as of 1977, and distributions we make to our shareholders will be made free of any Liberian withholding tax.

United States Federal Income Tax

The following are the material United States federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of our common stock. The following discussion of United States federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, or the Treasury Regulations, all as of the date of this Annual Report, and all of which are subject to change, possibly with retroactive effect. This discussion is also based in part upon Treasury Regulations promulgated under Section 883 of the Code. The discussion below is based, in part, on the description of our business as described in “Business” above and assumes that we conduct our business as described in that section. References in the following discussion to “we” and “us” are to EuroDry and its subsidiaries on a consolidated basis.

United States Federal Income Taxation of Our Company

Taxation of Operating Income: In General

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing arrangement or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as “shipping income,” to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States exclusive of certain U.S. territories and possessions constitutes income from sources within the United States, which we refer to as “U.S.-source shipping income.”

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883 of the Code, our gross U.S.-source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 of the Code and the Treasury Regulations thereunder, we will be exempt from United States federal income taxation on our U.S.-source shipping income if:

- we are organized in a foreign country, or our country of organization, that grants an "equivalent exemption" to corporations organized in the United States; and

either

- more than 50% of the value of our stock is owned, directly or indirectly, by "qualified shareholders," individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, which we refer to as the "50% Ownership Test," or
- our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which we refer to as the "Publicly-Traded Test."

The Marshall Islands and Liberia, the jurisdictions where we and our shipowning subsidiaries were incorporated during 2022, each grants an "equivalent exemption" to United States corporations. Therefore, we will be exempt from United States federal income taxation with respect to our U.S.-source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

We do not believe that we can establish that we satisfied the 50% Ownership Test for the 2022 taxable year due to the widely-held nature of our stock.

The Treasury Regulations provide, in pertinent part, that the stock of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during the taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. Our common stock is "primarily traded" on the Nasdaq Capital Market, which is an established securities market for these purposes.

The Treasury Regulations also require that our stock be "regularly traded" on an established securities market. Under the Treasury Regulations, our stock will be considered to be "regularly traded" if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and by total combined value of all classes of stock, are listed on one or more established securities markets, which we refer to as the "listing threshold." We intend to take the position that our common stock, which is listed on the Nasdaq Capital Market constituted more than 50% of our outstanding shares by value and total combined voting power for the 2022 taxable year. Accordingly, we intend to take the position that we satisfied the listing threshold for the 2022 taxable year. However, it is possible that our common stock may come to constitute 50% or less of our outstanding shares by value in a future taxable year in which case we may not be able to satisfy the listing threshold or the Publicly Traded Test.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of shares will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of stock, to which we refer as the "Five Percent Override Rule."

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common stock, or "5% Shareholders," the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as owning 5% or more of our common stock. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes. In the event the Five Percent Override Rule is triggered, the regulations provide that the Five Percent Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, there are sufficient qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in such group from owning 50% or more of our common stock for more than half the number of days during the taxable year.

We believe that we were subject to the Five Percent Override Rule, but nonetheless satisfied the Publicly-Traded Test for the 2022 taxable year because the nonqualified 5% Shareholders did not own more than 50% of our common stock for more than half of the days during the taxable year. We intend to take this position on our 2022 United States federal income tax returns.

Taxation in Absence of Exemption

To the extent the benefits of Section 883 are unavailable for any taxable year, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions which we refer to as the "4% gross basis tax regime". Since under the sourcing rules described above, no more than 50% of our shipping income is treated as being derived from United States sources, the maximum effective rate of United States federal income tax on our shipping income will not exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 of the Code are unavailable and our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the United States federal corporate income tax currently imposed at a rate of 21%. In addition, we may be subject to the 30% United States federal "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of such United States trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- We have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all of our U.S.-source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having, any vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we do not anticipate that any of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883 of the Code, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

United States Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of common stock that is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a United States person for United States federal income tax purposes.

This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities, investors whose functional currency is not the United States dollar, persons subject to an alternative minimum tax, persons subject to the "base erosion and anti-avoidance" tax, persons required to recognize income for United States federal income tax purposes no later than when such income is reported on an "applicable financial statement" and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common stock, may be subject to special rules. This discussion deals only with holders who hold the common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of common stock. This discussion does not address the tax consequences of owning our preferred stock.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, U.S. Holders that are corporations generally will not be entitled to claim a dividend received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate, or a U.S. Individual Holder, will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates provided that (1) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be), (2) our common stock is readily tradable on an established securities market in the United States (such as the Nasdaq Capital Market, on which our common stock is listed), (3) the U.S. Individual Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend, and (4) the U.S. Individual Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make payments with respect to positions in similar or related property. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Dividends paid on our stock prior to the date on which our common stock became listed on the Nasdaq Capital Market were not eligible for these preferential rates. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any "extraordinary dividend" generally, a dividend paid by us in an amount which is equal to or in excess of ten percent of a shareholder's adjusted tax basis (or fair market value in certain circumstances) in a share of our common stock. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Common Stock

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will generally be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S.-source income or loss, as applicable, for United States foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our common stock, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income, which we refer to as "passive assets".

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Based on our current operations and future projections, we do not believe that we are, nor do we expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, and we are not relying upon an opinion of counsel on this issue, our belief is based principally on the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a PFIC. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Moreover, in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year which included a U.S. Holder's holding period in our common stock, then such U.S. Holder would be subject to different United States federal income taxation rules depending on whether the U.S. Holder makes an election to treat us as a "qualified electing fund," which election we refer to as a "QEF election". As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common stock, as discussed below. In addition, if we were to be treated as a PFIC, a U.S. Holder of our common stock would be required to file annual information returns with the IRS.

In addition, if a U.S. Holder owns our common stock and we are a PFIC, such U.S. Holder must generally file IRS Form 8621 with the IRS.

U.S. Holders Making a Timely QEF Election

A U.S. Holder who makes a timely QEF election with respect to our common stock, or an Electing Holder, would report for United States federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder. Our net operating losses or net capital losses would not pass through to the Electing Holder and will not offset our ordinary earnings or net capital gain reportable to the Electing Holder in subsequent years (although such losses would ultimately reduce the gain, or increase the loss, if any, recognized by the Electing Holder on the sale of his common stock). Distributions received from us by an Electing Holder are excluded from the Electing Holder's gross income to the extent of the Electing Holder's prior inclusions of our ordinary earnings and net capital gain. The Electing Holder's tax basis in his common stock would be increased by any amount included in the Electing Holder's income. Distributions received by an Electing Holder, which are not includible in income because they have been previously taxed, would decrease the Electing Holder's tax basis in the common stock. An Electing Holder would generally recognize capital gain or loss on the sale or exchange of common stock.

U.S. Holders Making a Timely Mark-to-Market Election

A U.S. Holder who makes a timely mark-to-market election with respect to our common stock would include annually in the U.S. Holder's income, as ordinary income, any excess of the fair market value of the common stock at the close of the taxable year over the U.S. Holder's then adjusted tax basis in the common stock. The excess, if any, of the U.S. Holder's adjusted tax basis at the close of the taxable year over the then fair market value of the common stock would be deductible in an amount equal to the lesser of the amount of the excess or the net mark-to-market gains that the U.S. Holder included in income in previous years with respect to the common stock. A U.S. Holder's tax basis in his common stock would be adjusted to reflect any income or loss amount recognized pursuant to the mark-to-market election. A U.S. Holder would recognize ordinary income or loss on a sale, exchange or other disposition of the common stock; provided, however, that any ordinary loss on the sale, exchange or other disposition may not exceed the net mark-to-market gains that the U.S. Holder included in income in previous years with respect to the common stock.

U.S. Holders Not Making a Timely QEF Election or Mark-to-Market Election

A U.S. Holder who does not make a timely QEF Election or a timely mark-to-market election, which we refer to as a "Non-Electing Holder", would be subject to special rules with respect to (i) any "excess distribution" (generally, the portion of any distributions received by the Non-Electing Holder on the common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (ii) any gain realized on the sale or other disposition of the common stock. Under these rules, (i) the excess distribution or gain would be allocated ratably over the Non-Electing Holder's holding period for the common stock; (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income; and (iii) the amount allocated to each of the other prior taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. If a Non-Electing Holder dies while owning the common stock, the Non-Electing Holder's successor would be ineligible to receive a step-up in the tax basis of that common stock.

United States Federal Income Taxation of "Non-U.S. Holders"

A beneficial owner of common stock (other than a partnership) that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States, if the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, subject to certain adjustments, may be subject to an additional United States federal "branch profits" tax at a rate of 30%, or at a lower rate as may be specified by an applicable United States income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if a U.S. Individual Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he failed to report all interest or dividends required to be shown on your United States federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an appropriate IRS Form W-8.

If a shareholder sells our common stock to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the shareholder certifies that it is a non-U.S. person, under penalties of perjury, or the shareholder otherwise establishes an exemption. If a shareholder sells our common stock through a non-United States office of a non-United States broker and the sales proceeds are paid outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if a shareholder sells our common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States.

Backup withholding is not an additional tax. Rather, a shareholder generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the shareholder's United States federal income tax liability by filing a refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in the applicable Treasury Regulations, certain individuals who are Non-U.S. Holders and certain United States entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code and the applicable Treasury Regulations) are required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) with information relating to each such asset for each taxable year in which the aggregate value of all such assets exceeds $75,000 at any time during the taxable year or $50,000 on the last day of the taxable year. Specified foreign financial assets would include, among other assets, our common stock, unless the common stock were held through an account maintained with a United States financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, the statute of limitations on the assessment and collection of United States federal income tax with respect to a taxable year for which the filing of IRS Form 8938 is required may not close until three years after the date on which IRS Form 8938 is filed. U.S. Holders (including United States entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations under Section 6038D of the Code.

We encourage each shareholder to consult with his, her or its own tax advisor as to particular tax consequences to it of holding and disposing of our common stock, including the applicability of any state, local or foreign tax laws and any proposed changes in applicable law.

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website: http://www.sec.gov. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates.

I. Subsidiary Information

Not Applicable.

J. Annual Report to Security Holders

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we face risks that are non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk. Our operations may be affected from time to time in varying degrees by these risks but their overall effect on us is not predictable. We have identified the following market risks as those which may have the greatest impact upon our operations:

Interest Rate Fluctuation Risk

The international drybulk shipping industry is capital intensive, requiring significant amounts of investment. Much of this investment is financed by long term debt. Our debt usually contains interest rates that fluctuate with LIBOR or SOFR. See Item 3.D: “Risk Factors” above for more information on risks related to volatility in, and the discontinuance of, LIBOR.

We are subject to market risks relating to changes in interest rates because we have floating rate debt outstanding, which is based on U.S. dollar LIBOR or SOFR plus, in the case of each credit facility, a specified margin. Our objective is to manage the impact of interest rate changes on our earnings and cash flow in relation to our borrowings and to this effect, when we deem appropriate, we use derivative financial instruments.

On July 24, 2018, EuroDry Ltd. entered into an interest rate swap with HSBC Bank Plc. (“HSBC”) for a notional amount of $5.0 million, with inception date on July 24, 2018 and maturity date on July 24, 2023. Under this contract, HSBC makes a quarterly payment to EuroDry equal to the 3-month LIBOR while EuroDry pays a fixed rate of 2.93% based on the notional amount.

On April 9, 2020, EuroDry Ltd. entered into an interest rate swap with HSBC for a notional amount of $10.0 million, with inception date on April 15, 2020 and maturity date on April 15, 2025. Under this contract, HSBC makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 0.737% based on the notional amount. The swap is effective from April 30, 2020 to April 30, 2025.

On October 12, 2021, EuroDry Ltd. entered into an interest rate swap with HSBC for a notional amount of $10.0 million, with inception date on October 14, 2021 and maturity date on October 14, 2025. Under this contract, HSBC makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 1.032% based on the notional amount.

On June 17, 2022, EuroDry Ltd. entered into an interest rate swap with National Bank of Greece S.A. (“NBG”) for a notional amount of $10.0 million, with inception date on January 3, 2023 and maturity date on January 3, 2028. Under this contract, NBG makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 3.189% based on the notional amount.

As at December 31, 2022, our average debt coverage for 2023 was approximately 52% and for the two-year period of 2024 and 2025 was approximately 46%.

As at December 31, 2022, we had $81.86 million of floating rate debt outstanding with margins over LIBOR or SOFR ranging from 2.25% to 3.60%. Our interest expense is affected by changes in the general level of interest rates. As an indication of the extent of our sensitivity to interest rate changes, an increase of 100 basis points would have decreased our net income and decreased our cash flows in the twelve-month period ended December 31, 2022 by approximately $793,250 assuming the same debt profile throughout the year.

The following table sets forth the sensitivity of our loans and the interest rate swaps as of December 31, 2022 in U.S. dollars to a 100 basis points increase in LIBOR or SOFR during the next five years. Specifically, the interest we will have to pay for our loans will increase but net payments we will have to make under our interest rate swap contracts will decrease.

Year Ended December 31,	Amount in $ (loans)	Amount in $ (swap)
2023	665,650	(328,472)
2024	520,350	(300,000)
2025	418,650	(208,889)
2026	358,770	(100,000)
2027 and thereafter	135,200	(100,833)

Foreign Currency Exchange Rate Risk

The international drybulk shipping industry's functional currency is the U.S. Dollar. We generate all of our revenues in U.S. dollars, but, in 2022, incurred approximately 18% of our vessel operating expenses (excluding depreciation) in currencies other than U.S. dollars. In addition, our vessel management fee is denominated in Euros and certain general and administrative expenses (about 4% in 2022) are mainly in Euros. On December 31, 2022, approximately 15% of our outstanding trade accounts payable were denominated in currencies other than the U.S. dollar, mainly in Euros. We do not use currency exchange contracts to reduce the risk of adverse foreign currency movements but we believe that our exposure from market rate fluctuations is unlikely to be material. Net foreign exchange gain for the year ended December 31, 2022 was $0.04 million. Net foreign exchange gain for the year ended December 31, 2021 was $0.01 million. Net foreign exchange loss for the year ended December 31, 2020 was $0.02 million.

A hypothetical 10% immediate and uniform adverse move in all currency exchange rates from the rates in effect as of December 31, 2022, would have increased our operating expenses by approximately $0.44 million and the fair value of our outstanding trade accounts payable by approximately $0.05 million.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

We adopted a shareholders' rights plan on May 5, 2018 and declared a dividend distribution of one preferred stock purchase right to purchase one one-thousandth of our Series A Participating Preferred Stock for each outstanding share of our common stock, to shareholders of record at the close of business on May 30, 2018. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $26, subject to adjustment. The rights will expire on the earliest of (i) May 30, 2028 or (ii) redemption or exchange of the rights. The plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of the company. We believe that the shareholders' rights plan should enhance the board of directors' negotiating power on behalf of shareholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals and we adopted the plan as a matter of prudent corporate governance.

Item 15. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(e) or 15d-15(e) of the Exchange Act, the Company's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2022. The term disclosure controls and procedures is defined under SEC rules as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2022, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

(b) Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is identified in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its consolidated financial statements.

Our management, with the participation of Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 using the criteria set forth in the "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, (2013 Framework). As a result of its assessment, the Chief Executive Officer and Chief Financial Officer concluded that the Company's internal controls over financial reporting are effective as of December 31, 2022.

(c) Attestation Report of the Registered Public Accounting Firm

This annual report does not contain an attestation report of our registered public accounting firm regarding internal control over financial reporting as the Company is an emerging growth company and is exempt from this requirement.

(d) Changes in Internal Control over Financial Reporting

No significant change in the Company's internal control over financial reporting occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that all the members of our Audit Committee qualify as financial experts and they are all considered to be independent according to Nasdaq and SEC rules. Mr. Panagiotis Kyriakopoulos serves as the Chairman of our Audit Committee and as the Audit Committee’s financial expert with Mr. Apostolos Tamvakakis and Mr. George Taniskidis as members.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers and employees. Our code of ethics is posted in our website, www.eurodry.gr, under “Corporate Governance”.

Item 16C. Principal Accountant Fees and Services

Deloitte Certified Public Accountants S.A. (PCAOB ID No. 1163), an independent registered public accounting firm, has audited our annual financial statements acting as our independent auditor for the fiscal years ended December 31, 2021 and 2022. This table below sets forth the total amounts billed and accrued for Deloitte Certified Public Accountants S.A., the member firms of Deloitte and their respective affiliates (collectively, “Deloitte”).

	2021 (dollars in thousands)	**2022** (dollars in thousands)
Audit Fees	$ 189	$ 170
Audit-Related Fees	_	_
Tax Fees	_	_
All Other Fees	_	_
Total	**$ 189**	**$ 170**

Audit fees relate to compensation for professional services rendered for the audit of the consolidated financial statements of the Company and for the review of the quarterly financial information as well as in connection with any other audit services required for SEC or other regulatory filings or offerings.

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent registered public accounting firm. As part of this responsibility, the Audit Committee pre-approves the audit and non-audit services performed by the independent registered public accounting firm in order to assure that they do not impair the auditor's independence from the Company. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent registered public accounting firm may be pre-approved.

All services provided by Deloitte Certified Public Accountants, S.A., were pre-approved by the Audit Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Share Repurchase Program

On August 8, 2022, we announced that our Board of Directors approved a share repurchase program (the “Program”) to purchase up to an aggregate of $10.0 million of our common shares. The Board will review the Program after a period of twelve months. Share repurchases will be made from time to time for cash in open market transactions pursuant to Rule 10b-18 of the Exchange Act at prevailing market prices and/or in privately negotiated transactions. The timing and amount of purchase under the Program will be determined by management based upon market conditions and other factors. The Program does not require the Company to purchase any specific number or amount of shares and may be suspended or reinstated at any time at the Company’s discretion and without notice. We will cancel common shares repurchased as part of the Program. During the year ended December 31, 2022, we have repurchased the following common shares:

Period	Total Number of Shares Purchased		Average Price Paid per Share (1)	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs		Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
September 1-30, 2022	106,821	$	13.725	106,821	$	8,533,908
October 1-31, 2022	2,142	$	13.796	2,142	$	8,504,356
November 1-30, 2022	9,325	$	15.922	9,325	$	8,355,885
December 1-31, 2022	22,013	$	15.926	22,013	$	8,005,313
Total	**140,301**		**N/A**	**140,301**		**N/A**

(1) The average price paid per share does not include commissions paid for each transaction.

The repurchased shares were cancelled and removed from the Company's share capital as of December 31, 2022.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Please see Item 6.C. Board Practices - Corporate Governance.

OTHER THAN AS NOTED IN THE SECTION ABOVE, WE ARE IN FULL COMPLIANCE WITH ALL OTHER APPLICABLE NASDAQ CORPORATE GOVERNANCE STANDARDS.

Item 16H. Mine Safety Disclosure

Not Applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

The financial statements set forth on pages F-1 through F-41, together with the report of independent registered public accounting firm, are filed as part of this annual report.

Item 19. Exhibits

1.1	Amended and Restated Articles of Incorporation of EuroDry Ltd. (1)
1.2	Amended and Restated Bylaws of EuroDry Ltd. (2)
2.1	Specimen Common Stock Certificate (2)
2.2	Specimen Series B Preferred Share Certificate (2)
2.3	Form of Registration Rights Agreement by and among EuroDry Ltd., Tennenbaum Opportunities Fund VI, LLC, and Friends Investment Company, Inc. (2)
2.4	Shareholders Rights Agreement between EuroDry Ltd. and American Stock Transfer and Trust Company, LLC (3)
2.5	Form of Contribution Agreement between EuroDry Ltd. and Euroseas Ltd. (2)
2.6	Description of Securities
4.1	Form of Master Management Agreement between EuroDry Ltd. and Eurobulk Ltd. (2)
4.2	Form of Master Management Agreement between EuroDry Ltd. and Eurobulk Far East (2)
4.3	EuroDry 2018 Equity Incentive Plan (2)
4.4	Form of Standard Ship Management Agreement (2)
4.5	Form of Current Time Charter (2)
4.6	First Preferred Mortgage by Kamsarmax Two Shipping Ltd, as owner, in favour of HSBC Bank plc, as mortgagee, relating to Ekaterini, dated May 7, 2018 (5)
4.7	Term Loan Facility Agreement between Kamsarmax Two Shipping Ltd, as borrower, and HSBC Bank plc, as original lender, for up to $18,400,000, dated April 26, 2018 (5)
4.8	Loan Agreement between Ultra One Shipping Ltd. and Kamsarmax One Shipping Ltd., as Borrowers, and Eurobank S.A. as Lender, Arranger, Account Bank, Agent and Security Trustee, relating to a secured term loan facility of up to US$26,700,000, dated January 27, 2021. (6)
4.9	Guarantee between EuroDry Ltd., as Guarantor, and Eurobank S.A., as Security Trustee, relating to a secured term loan facility of up to US$26,700,000 between Ultra One Shipping Ltd. and Kamsarmax One Shipping Ltd., dated January 27, 2021. (6)
4.10	Loan Agreement between Eirini Shipping Ltd., as Borrower, and Sinopac Capital International (HK) Limited, as Lender, for up to US$5,000,000, dated February 22, 2021. (6)
4.11	Guarantee between EuroDry Ltd., as Guarantor, and Sinopac Capital International (HK) Limited, as Lender, relating to a Loan Agreement for up to US$5,000,000 dated February 21, 2021. (6)
4.12	Loan Agreement between Blessed Luck Shipowners Ltd., as borrower, and Piraeus Bank S.A., as lender, for up to US$8,000,000, dated August 12, 2021. (6)
4.13	Guarantee between EuroDry Ltd., as guarantor, and Piraeus Bank S.A., as lender, for up to US$8,000,000, dated August 12, 2021. (6)
4.14	Loan Agreement between Light Shipping Ltd. and Good Heart Shipping Ltd., as joint and several borrowers, and National Bank of Greece S.A., as lender, for up to US$22,000,000, dated September 30, 2021. (6)
4.15	Guarantee between EuroDry Ltd., as guarantor, and National Bank of Greece, as lender, for up to $22,000,000, dated September 30, 2021. (6)
4.16	Loan Agreement between Areti Shipping Ltd. and Pantelis Shipping Corp., as borrowers, and Chailease International Financial Services (Singapore) Pte. Ltd., as lender, Guaranteed by EuroDry Ltd., as guarantor, for up to US$9,000,000, dated October 6, 2021. (6)
4.17	Loan Agreement between Molyvos Shipping Ltd. and Santa Cruz Shipowners, as borrowers, and Piraeus Bank S.A., as lender, for a loan of up to US$20,000,000, dated September 30, 2022
8.1	Subsidiaries of the Registrant
12.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Deloitte Certified Public Accountants S.A.

101.INS*	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Filed as an Exhibit to the Company's Form 6-K (File No. 001-38502) on May 29, 2018.
(2) Filed as an Exhibit to the Company's Registration Statement (File No. 333-224732) on May 8, 2018.
(3) Filed as an Exhibit to the Company's Form 6-K (File No. 001-38502) on February 1, 2021.
(4) Filed as an Exhibit to the Company's Annual Report on Form 20-F (File No. 001-38502) on April 30, 2019.
(5) Filed as an Exhibit to the Company's Annual Report on Form 20-F (File No. 001-38502) on April 17, 2020.
(6) Filed as an Exhibit to the Company's Annual Report on Form 20-F (File No. 001-38502) on April 15, 2022.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

EURODRY LTD.
(Registrant)

By: /s/ Aristides J. Pittas
Aristides J. Pittas
Chairman, President and CEO

Date: April 24, 2023

Index to consolidated financial statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of EuroDry Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of EuroDry Ltd. and subsidiaries (the "Company") as of December 31, 2021 and 2022, the related consolidated statements of operations, shareholders' equity and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece

April 24, 2023

We have served as the Company's auditor since 2018.

EuroDry Ltd. and Subsidiaries
Consolidated Balance Sheets
(All amounts, except share data, expressed in U.S. Dollars)

	Notes	December 31, 2021	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		26,847,426	34,042,150
Restricted cash	7	459,940	1,195,863
Trade accounts receivable, net		775,035	7,147,833
Other receivables		1,242,803	346,066
Prepaid expenses		314,397	249,024
Inventories	3	770,342	1,057,652
Derivatives	13	-	1,437,398
Due from related companies	6	-	2,416,180
Total current assets		**30,409,943**	**47,892,166**
Long-term assets			
Vessels, net	4	128,492,819	149,022,023
Derivatives	13	210,113	705,970
Restricted cash	7	2,220,000	1,885,000
Total assets		**161,332,875**	**199,505,159**
Liabilities and shareholders' equity			
Current liabilities			
Long-term bank loans, current portion	7	13,949,720	22,858,087
Trade accounts payable		855,825	2,989,431
Accrued expenses	5	852,442	1,004,719
Derivatives	13	289,430	-
Deferred revenues		1,514,543	351,636
Due to related companies	6	244,587	-
Total current liabilities		**17,706,547**	**27,203,873**

(Consolidated balance sheets continue on the next page)

(All amounts, except share data, expressed in U.S. Dollars)

(continued)

	Notes	December 31, 2021	December 31, 2022
Long-term liabilities			
Long-term bank loans, net of current portion	7	64,702,947	58,360,169
Total long-term liabilities		**64,702,947**	**58,360,169**
Total liabilities		**82,409,494**	**85,564,042**
Commitments and contingencies	9		
Shareholders' equity			
Common stock (par value $0.01, 200,000,000 shares authorized, 2,919,191 and 2,902,620 issued and outstanding, respectively)	16	29,192	29,026
Additional paid-in capital		67,963,707	69,438,938
Retained earnings		10,930,482	44,473,153
Total shareholders' equity		**78,923,381**	**113,941,117**
Total liabilities and shareholders' equity		**161,332,875**	**199,505,159**

The accompanying notes are an integral part of these consolidated financial statements.

EuroDry Ltd. and Subsidiaries
Consolidated statements of operations
Years ended December 31, 2020, 2021 and 2022
(All amounts, except for share data, expressed in U.S. Dollars)

	Notes	2020	2021	2022
Revenues				
Time charter revenue		23,594,678	68,506,729	74,569,867
Commissions (including $294,933, $856,334 and $932,123, respectively, to related party)	6	(1,305,717)	(4,064,903)	(4,386,498)
Net revenue		**22,288,961**	**64,441,826**	**70,183,369**
Operating expenses				
Voyage expenses, net	12	285,132	(755,998)	(2,025,120)
Vessel operating expenses (including $122,909, $130,384 and $207,602, respectively, to related party)	6, 12	11,603,414	13,565,092	19,333,898
Dry-docking expenses		2,275,258	97,094	4,816,558
Vessel depreciation	4	6,556,256	7,656,638	10,757,177
Related party management fees	6	2,018,800	2,350,747	2,968,073
General and administrative expenses (including $1,250,000, $1,710,000 and $1,460,000, respectively, to related party)	6, 10	2,291,244	2,638,427	3,072,583
Net gain on sale of vessel	4	-	-	(2,856,525)
Total operating expenses		**25,030,104**	**25,552,000**	**36,066,644**
Operating (loss) / income		**(2,741,143)**	**38,889,826**	**34,116,725**
Other income / (expenses)				
Interest and other financing costs (including $0, $79,533 and $0, respectively, to related party)	6, 7	(2,331,998)	(2,339,023)	(3,853,047)
Loss on debt extinguishment		-	(1,647,654)	-
(Loss) / gain on derivatives, net	13	(790,359)	(3,765,619)	3,189,610
Interest income		4,094	10,484	46,298
Foreign exchange (loss) / gain		(18,455)	5,807	43,085
Other expenses, net		**(3,136,718)**	**(7,736,005)**	**(574,054)**
Net (loss) / income		**(5,877,861)**	**31,153,821**	**33,542,671**
Dividends to Series B preferred shares	14	(1,573,874)	(1,085,902)	-
Preferred deemed dividend		-	(665,287)	-
Net (loss) / income attributable to common shareholders		**(7,451,735)**	**29,402,632**	**33,542,671**
(Loss) / earnings per share attributable to common shareholders – basic	11	**(3.28)**	**11.63**	**11.66**
Weighted average number of shares outstanding during the year, basic	11	2,275,062	2,528,507	2,876,320
(Loss) / earnings per share attributable to common shareholders – diluted	11	**(3.28)**	**11.54**	**11.61**
Weighted average number of shares outstanding during the year, diluted	11	2,275,062	2,548,950	2,889,991

The accompanying notes are an integral part of these consolidated financial statements.

EuroDry Ltd. and Subsidiaries
Consolidated statements of shareholders' equity
Years ended December 31, 2020, 2021 and 2022
(All amounts, except share data, expressed in U.S. Dollars)

	Number of Shares Outstanding	Common Stock Amount	Additional Paid - in Capital	(Accumulated Deficit) / Retained Earnings	Total
Balance January 1, 2020	**2,304,630**	**23,046**	**52,802,574**	**(11,020,415)**	**41,805,205**
Net loss	-	-	-	(5,877,861)	(5,877,861)
Dividends to Series B preferred shares	-	-	-	(1,573,874)	(1,573,874)
Issuance of restricted shares for stock incentive award and share-based compensation	44,900	449	245,473	-	245,922
Shares forfeited	(1,314)	(13)	13	-	-
Balance December 31, 2020	**2,348,216**	**23,482**	**53,048,060**	**(18,472,150)**	**34,599,392**
Net income	-	-	-	31,153,821	31,153,821
Dividends to Series B preferred shares	-	-	-	(1,085,902)	(1,085,902)
Preferred deemed dividend	-	-	-	(665,287)	(665,287)
Issuance of shares sold at the market (ATM), net of issuance costs	341,017	3,410	9,739,649	-	9,743,059
Issuance of shares in connection with related party loan converted to equity	180,308	1,803	4,945,851	-	4,947,654
Issuance of restricted shares for stock incentive award and share-based compensation	49,650	497	230,147	-	230,644
Balance December 31, 2021	**2,919,191**	**29,192**	**67,963,707**	**10,930,482**	**78,923,381**
Net income	-	-	-	33,542,671	33,542,671
Issuance of shares sold at the market (ATM), net of issuance costs	65,130	651	2,684,951	-	2,685,602
Repurchase and cancelation of common shares	(140,301)	(1,403)	(1,997,859)	-	(1,999,262)
Issuance of restricted shares for stock incentive award and share-based compensation	58,600	586	788,139	-	788,725
Balance December 31, 2022	**2,902,620**	**29,026**	**69,438,938**	**44,473,153**	**113,941,117**

The accompanying notes are an integral part of these consolidated financial statements.

EuroDry Ltd. and Subsidiaries
Consolidated statements of cash flows
Years ended December 31, 2020, 2021 and 2022
(All amounts expressed in U.S. Dollars)

	2020	2021	2022
Cash flows from operating activities:			
Net (loss) / income	(5,877,861)	31,153,821	33,542,671
Adjustments to reconcile net (loss) / income to net cash provided by operating activities:			
Vessel depreciation	6,556,256	7,656,638	10,757,177
Amortization and write off of deferred charges	140,704	298,329	230,589
Loss on debt extinguishment	-	1,647,654	-
Share-based compensation	245,922	230,644	788,725
Unrealized loss / (gain) on derivatives	545,859	(770,715)	(2,222,685)
Gain on sale of vessel	-	-	(2,856,525)
Changes in operating assets and liabilities:			
(Increase) / decrease in:			
Trade accounts receivable	314,953	753,020	(6,372,798)
Prepaid expenses	60,678	(88,364)	65,373
Other receivables	(424)	(782,594)	896,737
Inventories	(876,569)	614,938	(287,310)
Due from related companies	-	-	(2,416,180)
Increase / (decrease) in:			
Trade accounts payable	238,081	(251,260)	2,114,784
Accrued expenses	(259,915)	147,934	152,277
Deferred revenues	(199,699)	1,268,418	(1,162,907)
Due to related companies	1,437,549	(2,740,172)	(244,587)
Net cash provided by operating activities	**2,325,534**	**39,138,291**	**32,985,341**
Cash flows from investing activities:			
Cash paid for vessel acquisitions and capitalized expenses	(611,106)	(36,823,327)	(37,786,324)
Net proceeds from sale of vessel	-	-	9,387,717
Net cash used in investing activities	**(611,106)**	**(36,823,327)**	**(28,398,607)**

(Consolidated statements of cash flows continue on the next page)

EuroDry Ltd. and Subsidiaries
Consolidated statements of cash flows
Years ended December 31, 2020, 2021 and 2022
(All amounts expressed in U.S. Dollars)

(Continued)

	2020	2021	2022
Cash flows from financing activities:			
Redemption of preferred shares	-	(16,606,000)	-
Proceeds from issuance of common stock, net of commissions paid	-	9,975,312	2,685,602
Cash paid for share repurchase	-	-	(1,999,262)
Offering expenses paid	-	(219,826)	(12,427)
Preferred dividends paid	(713,552)	(1,085,902)	-
Loan arrangement fees paid	-	(760,500)	(150,000)
Proceeds from related party loan	-	6,000,000	-
Proceeds from long-term bank loans	-	70,700,000	20,000,000
Repayment of related party loan	-	(2,700,000)	-
Repayment of long-term bank loans	(5,524,000)	(42,697,000)	(17,515,000)
Net cash (used in) / provided by financing activities	**(6,237,552)**	**22,606,084**	**3,008,913**
Net (decrease) / increase in cash, cash equivalents and restricted cash	(4,523,124)	24,921,048	7,595,647
Cash, cash equivalents and restricted cash at beginning of year	9,129,442	4,606,318	29,527,366
Cash, cash equivalents and restricted cash at end of year	**4,606,318**	**29,527,366**	**37,123,013**
Cash Breakdown			
Cash and cash equivalents	938,282	26,847,426	34,042,150
Restricted cash, current	1,518,036	459,940	1,195,863
Restricted cash, long term	2,150,000	2,220,000	1,885,000
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	**4,606,318**	**29,527,366**	**37,123,013**
Supplemental cash flow information			
Cash paid for interest	2,426,395	2,147,352	3,366,221
Financing and investing activities fees:			
Offering expenses accrued	-	12,427	-
Paid in-kind dividends	1,219,048	-	-
Capital expenditures included in liabilities	8,194	28,334	44,309
Vessel sale expenses included in liabilities	-	-	15,274
Shares issued in connection with related party loan converted to equity	-	4,947,654	-

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation and General Information

EuroDry Ltd. (the "Company" or "EuroDry") was formed by Euroseas Ltd. ("Euroseas" or "former Parent Company") on January 8, 2018 under the laws of the Republic of the Marshall Islands to serve as the holding company of seven subsidiaries (the "Subsidiaries") contributed by Euroseas to EuroDry in connection with the spin-off of Euroseas' drybulk vessels held for use as of December 31, 2017 (the "Spin-off"). On May 30, 2018, Euroseas contributed these Subsidiaries to EuroDry in exchange for 2,254,830 common shares in EuroDry, which Euroseas, distributed to holders of Euroseas common stock on a pro rata basis. Further, on May 30, 2018 Euroseas distributed shares of the Company's Series B Preferred Stock (the "EuroDry Series B Preferred Shares") to holders of Euroseas' Series B Preferred Shares, representing 50% of Euroseas Series B Preferred Stock. EuroDry's common shares trade on the Nasdaq Capital Market under the ticker symbol "EDRY".

The operations of the vessels are managed by Eurobulk Ltd. ("Eurobulk" or "Manager") and Eurobulk (Far East) Ltd. Inc. ("Eurobulk FE"), collectively the "Managers", corporations controlled by members of the Pittas family. Eurobulk has an office in Greece located at 4 Messogiou & Evropis Street, Maroussi, Greece; Eurobulk FE has an office at Manilla, Philippines Suite 1003, 10th Floor Ma. Natividad Building, 470 T.M. Kalaw cor. Cortada Sts., Ermita. Both provide the Company with a wide range of shipping services such as technical support and maintenance, insurance consulting, chartering, financial and accounting services, while Eurobulk also provides executive management services, in consideration for fixed and variable fees (see Note 6).

The Pittas family is the controlling shareholder of Friends Dry Investment Company Inc., Family United Navigation Co. and Ergina Shipping Ltd. which, in turn, own 45.9% of the Company's shares as of December 31, 2022. Mr. Aristides J. Pittas is the Chairman and Chief Executive Officer of the Company and Euroseas.

1. Basis of Presentation and General Information - Continued

The Company is engaged in the ocean transportation of dry bulk through ownership and operation of dry bulk ship-owning companies. Details of the Company's wholly owned subsidiaries are set out below:

- Pantelis Shipping Corp., incorporated in the Republic of Liberia on December 4, 2009, owner of the Liberian flag 74,020 DWT bulk carrier M/V "Pantelis" which was built in 2000 and acquired on July 23, 2009. The vessel was sold on October 17, 2022.

- Eirini Shipping Ltd., incorporated in the Republic of Liberia on February 2, 2014, owner of the Liberian flag 76,466 DWT bulk carrier M/V "Eirini P" which was built in 2004 and acquired on May 26, 2014.

- Ultra One Shipping Ltd., incorporated in the Republic of Liberia on November 21, 2013, owner of Liberian flag 63,500 DWT bulk carrier M/V "Alexandros P.". M/V "Alexandros P", which was a new build, was delivered on January 16, 2017.

- Kamsarmax One Shipping Ltd., incorporated in the Republic of the Marshall Islands on April 4, 2014, owner of the Marshall Islands flag 82,000 DWT bulk carrier M/V "Xenia". M/V "Xenia", which was a new build, was delivered on February 25, 2016.

- Kamsarmax Two Shipping Ltd., incorporated in the Republic of the Marshall Islands on April 4, 2014, owner of the Marshall Islands flag 82,000 DWT bulk carrier M/V "Ekaterini". M/V "Ekaterini", which was a new build, was delivered on May 7, 2018.

- Areti Shipping Ltd., incorporated in the Republic of the Marshall Islands on November 15, 2016, owner of the Cypriot flag 75,100 DWT bulk carrier M/V "Tasos" which was built in 2000 and acquired on January 9, 2017.

- Light Shipping Ltd., incorporated in the Republic of the Marshall Islands on November 6, 2018, owner of the Cypriot flag 75,845 DWT bulk carrier M/V "Starlight" which was built in 2004 and acquired on November 30, 2018.

- Blessed Luck Shipowners Ltd., incorporated in the Republic of Liberia on May 6, 2021, owner of Liberian flag 76,704 DWT bulk carrier M/V "Blessed Luck.", which was built in 2004, and acquired on May 28, 2021.

- Good Heart Shipping Ltd., incorporated in the Republic of Liberia on August 13, 2021, owner of Liberian flag 62,996 DWT bulk carrier M/V "Good Heart", which was built in 2014 and acquired on September 22, 2021.

- Molyvos Shipping Ltd., incorporated in the Republic of the Marshall Islands on January 11, 2022, owner of the Marshall Islands flag 57,924 DWT bulk carrier M/V "Molyvos Luck", which was built in 2014 and acquired on February 11, 2022.

- Santa Cruz Shipowners Ltd., incorporated in the Republic of Liberia on April 6, 2022, owner of the Liberian flag 76,440 DWT bulk carrier M/V "Santa Cruz", which was built in 2005 and acquired on April 20, 2022.

(All amounts expressed in U.S. Dollars)

1. Basis of Presentation and General Information - Continued

The following charterers individually accounted for more than 10% of the Company's revenues as follows:

	Year ended December 31,		
Charterer	**2020**	**2021**	**2022**
OLAM Group	-	-	13%
Quadra Commodities S.A.	19%	27%	13%
Tongli Shipping PTE Ltd.	-	11%	12%
Ultrabulk A/S	13%	19%	11%
Amaggi Europe B.V.	-	15%	11%
A/S Klaveness Chartering	23%	-	-
Guardian Navigation Gmax LLC pool	14%	-	-

2. Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The following are the significant accounting policies adopted by the Company:

Principles of consolidation

The accompanying consolidated financial statements include the accounts of EuroDry Ltd. and its subsidiaries. Inter-company balances and transactions are eliminated on consolidation.

Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the stated amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other comprehensive income / (loss)

The Company has no other comprehensive income / (loss) and accordingly comprehensive income / (loss) equals net income / (loss) for all periods presented. As such, no statement of comprehensive income / (loss) has been presented.

2. Significant Accounting Policies - Continued

Foreign currency translation

The Company's functional currency as well as the functional currency of all its subsidiaries is the U.S. dollar. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the date of the transaction. The resulting exchange gains and/or losses on settlement or translation are included in the accompanying consolidated statements of operations.

Cash equivalents

Cash equivalents are cash in bank accounts, time deposits or other certificates purchased with an original maturity of three months or less.

Restricted cash

Restricted cash reflects deposits with certain banks that can only be used to pay the current loan installments or are required to be maintained as a certain minimum cash balance per mortgaged vessel and amounts that are pledged, blocked or held as cash collateral.

Trade accounts receivable, net

The amount shown as trade accounts receivable, at each balance sheet date, includes estimated recoveries from each voyage or time charter. At each balance sheet date, the Company provides for doubtful accounts on the basis of specific identified doubtful receivables. No allowance for doubtful accounts was recorded for any of the periods presented.

Inventories

Inventories are stated at the lower of cost and net realizable value, which is the estimated selling price less reasonably predictable costs of disposal and transportation. Inventories are valued using the FIFO (First-In First-Out) method.

Vessels

Vessels are stated at cost, which comprises the vessel contract price, costs of major repairs and improvements upon acquisition, direct delivery and other acquisition expenses to prepare the vessel for her initial voyage, less accumulated depreciation and impairment, if any. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise, these amounts are charged to expense as incurred.

2. Significant Accounting Policies - Continued

Vessels under construction are presented at cost, which includes shipyard installment payments and other vessel costs incurred during the construction period that are directly attributable to the construction of the vessels, including interest costs incurred during the construction period.

Expenditures for vessel repair and maintenance are charged against income in the period incurred.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the vessel with reference to the cost of the vessel, and estimated scrap value. Remaining useful lives of vessels are periodically reviewed and revised to recognize changes in conditions and such revisions, if any, are recognized over current and future periods. The Company estimates that its vessels have a useful life of 25 years from the completion of their construction. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations are adopted. The estimated salvage value of each vessel is $250 per light weight ton as of December 31, 2021 and 2022.

Insurance claims and insurance proceeds

Claims receivable are recorded on the accrual basis and represent the amounts to be received, net of deductibles incurred through each balance sheet date, for which recovery from insurance companies is probable and the claim is not subject to litigation. Any remaining costs to complete the claims are included in accrued liabilities. Insurance proceeds are recorded according to type of claim that gives rise to the proceeds in the consolidated statements of operations and the consolidated statements of cash flow.

Revenue and expense recognition

Revenues are generated mainly from time charters. Under a time charter agreement a contract is entered into for the use of a vessel for a specific period of time and a specified daily fixed or index-linked charter hire rate.

A minor part of the Company's revenues is also generated from pool arrangements. For the vessel that operated under pool arrangement during the years ended December 31, 2020 and 2021 the Company does not consider itself the principal, primarily because of its lack of control over the service to be transferred to the charterer under those charter party agreements and therefore related revenues and expenses are presented net.

2. Significant Accounting Policies - Continued

In particular, the pool manager calculates the net pool revenues using gross revenues less voyage expenses of all the pool vessels and less the general and administrative expenses of the pool and distributes the net pool revenues as time charter hire to participants based on an agreed upon formula, which is determined by pool points awarded to each vessel in the pool (vessel attributes such as age, design, cargo carrying capacity, fuel consumption and speed are taken into consideration) as well as the number of days the vessel participated in the pool in the period. The Company recognizes net pool revenues on a monthly basis, when the vessel has participated in the pool during the period and the amount of net pool revenues for the period can be estimated reliably. Revenue generated from the pool is accounted for as revenue from operating leases, pursuant to the accounting standard on leases (ASC 842), as further described below.

A time charter is a contract for the use of a vessel for a specific period of time and a specified daily fixed or index-linked charter hire rate, which is generally payable 15 or 30 days in advance as determined in the charter party agreement. The duration of the contracts that the Company enters into depends on the market conditions, with the duration decreasing during weak market conditions. During 2020, 2021 and 2022 the duration of the Company’s time charter contracts ranged from 27 days to 2 years. Time charter revenue is recognized when a charter agreement exists, the vessel is made available to the charterer and collection of the related revenue is reasonably assured. As of December 31, 2022, all of the Company’s time charter agreements have remaining terms ranging from less than a month to 14 months based on the minimum duration of the time charter contracts and do not include any renewal options. A time charter generally provides typical warranties and owner protective restrictions. The Company’s time charter agreements are classified as operating leases pursuant to ASC 842, because (i) the vessel is an identifiable asset, (ii) the Company does not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel, during the term of the contract, and derives the economic benefits from such use. In a time charter contract, the Company is responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubricants. The charterer bears the voyage related costs such as bunker expenses, port charges and canal tolls during the hire period.

The Company, making use of the practical expedient for lessors, elected not to separate the lease and non-lease components included in the time charter revenue because the pattern of revenue recognition for the lease and non-lease components (included in the daily hire rate) is the same and the lease component, if accounted for separately, would be classified as an operating lease. The nature of the lease component and non-lease component that are combined as a result of applying the respective practical expedient are the hire rate for a bareboat charter as well as the compensation for expenses incurred running the vessel such as crewing expense, repairs, insurance, maintenance and lubricants, respectively. The lease component is the predominant component and the Company accounts for the combined component as an operating lease in accordance with ASC 842.

Both the lease component and non-lease component are earned by the passage of time. The performance obligations in a time charter contract are recognized on a straight-line basis over the term of the respective time charter agreements, beginning when the vessel is delivered to the charterer until it is redelivered back to the Company, and are recorded in “Time charter revenue” in the consolidated statements of operations. Time charter agreements may include ballast bonus payments made by the charterer which serve as compensation for the ballast trip of the vessel to the delivery port, which are deferred and also recognized on a straight line basis over the charter period.

2. Significant Accounting Policies - Continued

Charter fees received in advance are recorded as a liability (deferred revenue) until charter services are rendered.

Vessel operating expenses are comprised of all expenses relating to the operation of the vessels, including crewing, insurance, repairs and maintenance, stores, lubricants, spares and consumables, professional and legal fees and miscellaneous expenses. Vessel operating expenses are recognized as incurred; payments in advance of services or use are recorded as prepaid expenses. Under time charter agreements, voyage expenses which are also recognized as incurred by the Company include costs for draft surveys, hold cleaning, postage, extra war risk insurance and other minor miscellaneous expenses related to the voyage. The charterer is responsible for paying the cost of bunkers and other voyage expenses whilst the vessel is on time charter. Certain voyage expenses paid by the Company, such as extra war risk insurance and holds cleaning may be recovered from the charterer; such amounts recovered are recorded as other income within "Time charter revenue" in the consolidated statements of operations.

Commissions (address and brokerage), regardless of charter type, are always paid by the Company, are deferred and amortized over the related charter period and are presented as a separate line item in revenues to arrive at net revenues in the accompanying consolidated statements of operations.

Dry-docking and special survey expenses

Dry-docking and special survey expenses are expensed as incurred.

Pension and retirement benefit obligations – crew

The ship-owning companies contract the crews on board the vessels under short-term contracts (usually up to 9 months). Accordingly, they are not liable for any pension or post-retirement benefits.

2. Significant Accounting Policies - Continued

Financing costs

Fees paid to lenders or required to be paid to third parties on the lenders' behalf for obtaining new loans or for refinancing or amending existing loans, are required to be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, similar to debt discounts. These costs are amortized as interest and other financing costs over the duration of the underlying loan using the effective interest method. Any unamortized balance of costs relating to debt repaid or refinanced that meet the criteria for Debt Extinguishment pursuant to the provisions of Subtopic 470-50, is expensed in the period in which the repayment is made or refinancing occurs. Any unamortized balance of costs relating to debt refinanced that do not meet the criteria for Debt Extinguishment, are amortized over the term of the refinanced debt.

Offering costs

Expenses directly attributable to an equity offering are deferred and are either presented against paid-in capital when the offering is completed or are written-off and charged to "General and administrative expenses" in the consolidated statements of operations when it is probable that the offering will be aborted.

Share repurchases

The Company records the repurchase of its common shares at cost. Until their retirement these common shares are classified as treasury stock, which is a reduction to shareholders' equity. Treasury shares are included in authorized and issued shares but excluded from outstanding shares.

Stock incentive plan awards

Share-based compensation represents vested and non-vested restricted shares granted to officers and directors as well as to non-employees and are included in "General and administrative expenses" in the consolidated statements of operations. The shares to employees and directors as well as to non-employees are measured at their fair value equal to the market value of the Company's common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and the total fair value of such shares is expensed on the grant date. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and the total fair value of such shares is recognized on a straight-line basis over the requisite service period. Further, the Company accounts for restricted share award forfeitures upon occurrence.

2. Significant Accounting Policies - Continued

Impairment of vessels

The Company reviews its vessels held for use for impairment whenever events or changes in circumstances indicate that the carrying amount of the vessels may not be recoverable. If indicators of impairment are present, the Company performs an analysis of the future undiscounted net operating cash flows of the related vessels. When the estimate of future undiscounted net operating cash flows, excluding interest charges, expected to be generated by the use and eventual disposition of the vessel is less than its carrying amount, the Company records a charge under "Impairment loss" in the consolidated statement of operations, to the extent the vessel's carrying value exceeds its fair market value. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels.

In developing its estimates of future undiscounted net operating cash flows, the Company makes assumptions and estimates about vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessel operating expenses, drydocking costs, vessels' residual value and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations.

The Company determines the rates to be used in its impairment analysis based on the prevailing market charter rates for the first two years and on inflation-unadjusted historical average rates, from the third year onwards. As of December 31, 2022, there were indicators of impairment for four of the Company's vessels. As of December 31, 2022, the Company calculated the historical average rates over a 14-year period for 2022 and takes into account complete market cycles. These rates are used for the period a vessel is not under a charter contract; if there is a contract, the charter rate of the contract is used for the period of the contract. Vessel utilization estimates are based on the status of each vessel at the time of the assessment and the Company's past experience in finding employment for its vessels at comparable market conditions. Cost estimates, like drydocking and operating costs, are based on the Company's data for its own vessels. Specifically, the Company's management uses the Company's internal budget for operating expenses escalated by 3.0% per annum and the Company's budgeted drydocking costs, assuming a five-year special survey cycle. The estimated salvage value of each vessel is $250 per light weight ton, in accordance with the Company's vessel depreciation policy. The Company uses a probability weighted approach for developing estimates of future cash flows used to test its vessels for recoverability when alternative uses are under consideration (i.e. sale or continuing operation of a vessel).

2. Significant Accounting Policies - Continued

Derivative financial instruments

Derivative financial instruments are recorded in the balance sheet as either an asset or liability measured at its fair value with changes in the instruments' fair value recognized as either a component in other comprehensive income if specific hedge accounting criteria are met in accordance with guidance relating to "Derivatives and Hedging" or in earnings if hedging criteria are not met.

Preferred shares

Preferred shares are recorded at the initial amount of preferred stock assumed based on the initial consideration received by the former Parent Company less offering expenses and adjusted by including the redemption value of dividends paid in-kind. The Company recognizes changes in the redemption value of the preferred shares immediately as they occur and adjusts the carrying amount of the preferred shares to equal the redemption value at the end of each reporting period to that effect.

Earnings / (loss) per common share

Basic earnings / (loss) per share is computed by dividing net income / (loss) attributable to common shareholders, after the deduction of dividends paid (in cash or in-kind) to preferred shareholders, by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding does not include any potentially dilutive securities or any non-vested restricted shares of common stock. These non-vested restricted shares, although classified as issued and outstanding as of December 31, 2021 and 2022, are considered contingently returnable until the restrictions lapse and are not included in the basic earnings / (loss) per share calculation until the shares are vested.

Diluted earnings / (loss) per share gives effect to all potentially dilutive securities to the extent that they are dilutive, using the treasury stock method. The Company uses the treasury stock method for non-vested restricted shares, while for the preferred shares issued the Company uses the if-converted method to assess the dilutive effect.

(All amounts expressed in U.S. Dollars)

2. Significant Accounting Policies - Continued

Segment reporting

The Company reports financial information and evaluates its operations by total charter revenues and not by the type of vessel, length of vessel employment, customer or type of charter. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet and thus the Company has determined that it operates under one reportable segment, that of operating drybulk vessels. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographical information is impracticable.

Recent accounting pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848), Scope" ("ASU 2021-01"), which clarifies certain provisions in Topic 848, if elected by an entity, to apply to derivative instruments that use interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The FASB included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. At the time that Update 2020-04 was issued, the UK Financial Conduct Authority (FCA) had established its intent that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022—12 months after the expected cessation date of all currencies and tenors of LIBOR. In March 2021, the FCA announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. Because the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place, the amendments in this Update defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Company has not yet modified any contracts under the expedients or exceptions allowed by ASU 2020-04 or ASU 2021-01. If and when a contract modification within the scope of ASU 2020-04 occurs, it is not expected to have a material impact on our consolidated financial statements.

3. Inventories

Inventories consisted of the following:

	December 31, 2021	December 31, 2022
Lubricants	724,044	1,057,652
Victualing	46,298	-
Bunkers	-	-
Total	**770,342**	**1,057,652**

(All amounts expressed in U.S. Dollars)

4. Vessels, net

The amounts in the accompanying consolidated balance sheets are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balance, January 1, 2021	**138,802,385**	**(39,496,395)**	**99,305,990**
- Depreciation for the year	-	(7,656,638)	(7,656,638)
- Vessel acquisitions and improvements	36,843,467	-	36,843,467
Balance, December 31, 2021	**175,645,852**	**(47,153,033)**	**128,492,819**
- Depreciation for the year	-	(10,757,177)	(10,757,177)
- Vessel acquisitions and improvements	37,802,299	-	37,802,299
- Sale of vessel	(28,079,236)	21,563,318	(6,515,918)
Balance, December 31, 2022	**185,368,915**	**(36,346,892)**	**149,022,023**

For the year ended December 31, 2021, the fleet was equipped with a number of smart monitoring systems for a total cost of $0.04 million. During the year ended December 31, 2022, M/V "Tasos" completed the installation of its Water Ballast Treatment system onboard for a total cost of $0.61 million. Additionally during the year ended December 31, 2022, certain of the Company's vessels were equipped with a number of smart monitoring systems for a total cost of $0.22 million. All these installations were qualified as vessel improvements and were therefore capitalized.

On May 6, 2021, Blessed Luck Shipowners Ltd. signed a memorandum of agreement to purchase M/V "Blessed Luck", a 76,704 DWT 2004-built drybulk carrier, for a purchase price plus costs to make the vessel available for use of $12,127,945. M/V "Blessed Luck" was delivered to the Company on May 28, 2021.

On August 16, 2021, Good Heart Shipping Ltd. signed a memorandum of agreement to purchase M/V "Good Heart", a 62,996 DWT 2014-built drybulk carrier, for a purchase price plus costs to make the vessel available for use of $24,673,602. M/V "Good Heart" was delivered to the Company on September 22, 2021.

On January 12, 2022, Molyvos Shipping Ltd. signed a memorandum of agreement to purchase M/V "Molyvos Luck", a 57,924 DWT 2014-built drybulk carrier, for a purchase price plus costs to make the vessel available for use of $21,214,125. M/V "Molyvos Luck" was delivered to the Company on February 11, 2022.

(All amounts expressed in U.S. Dollars)

4. Vessels, net - Continued

On April 18, 2022, Santa Cruz Shipowners Ltd. signed a memorandum of agreement to purchase M/V “Santa Cruz”, a 76,440 DWT 2005-built drybulk carrier, for a purchase price plus costs to make the vessel available for use of $15,754,264. M/V “Santa Cruz” was delivered to the Company on April 20, 2022.

On September 8, 2022 Pantelis Shipping Corp. signed a memorandum of agreement to sell M/V “Pantelis” a 74,020 DWT 2000-built drybulk carrier, for an amount, net of expenses paid, of $9,372,443. M/V “Pantelis” was delivered to her new owners on October 17, 2022. The Company decided to sell this vessel to concentrate its drybulk fleet on more modern, eco-built, fuel-efficient vessels, in alignment with its overall Environmental, Social and Governance (“ESG”) strategy. The Company recorded a gain on sale of approximately $2,856,525, presented in the “Net gain on sale of vessel” line in the “Operating Expenses” section of the consolidated statement of operations for the year ended December 31, 2022.

In light of the economic downturn and the prevailing conditions in the shipping industry, as of December 31, 2022, the Company performed the undiscounted cash flow test for those operating vessels whose carrying values were above their respective market values and determined that the net book value of its vessels held for use was recoverable. As of December 31, 2021, there were no indicators of impairment for any of the Company’s vessels.

As of December 31, 2022, all vessels are mortgaged as collateral under the Company’s loan agreements (see Note 7).

5. Accrued Expenses

The accrued expenses consist of:

	December 31, 2021	December 31, 2022
Accrued payroll expenses	146,155	61,714
Accrued interest expense	244,427	500,664
Accrued general and administrative expenses	89,397	107,755
Accrued commissions	118,706	71,139
Other accrued expenses	253,757	263,447
Total	**852,442**	**1,004,719**

6. Related Party Transactions

The Managers (see Note 1) provided technical and commercial vessel management for a fixed daily fee per vessel of Euro 685 for 2020 and 2021. For the year of 2022 the vessel management fee was adjusted for inflation in the Eurozone at Euro 720(approximately $770, using the exchange rate as of December 31, 2022, which was $1.07 per euro). Vessel management fees paid to the Managers amounted to $2,018,800, $2,350,747 and $2,968,073 in 2020, 2021 and 2022, respectively, and are recorded under “Related party management fees” in the consolidated statements of operations. An additional fixed management fee is paid to Eurobulk for the provision of management executive services. The amount of executive compensation was $1,250,000 for the year ended December 31, 2020. For the year ended December 31, 2021, the Company paid an additional special bonus of $0.46 million to the Manager’s employees, affiliated subcontractors and consultants for a total amount of executive management fees of $1.71 million. For the year ended December 31, 2022, the Company paid an additional special bonus of $0.21 million to the Manager’s employees, affiliated subcontractors and consultants for a total amount of executive management fees of $1.46 million. The executive management fee will be adjusted annually for Eurozone inflation every January 1. For the year 2023 the amount for the executive compensation, before bonuses, was increased to $1,350,000 to account for inflation. These amounts are recorded in “General and administrative expenses” in the consolidated statements of operations.

The Euroseas’ Master Management Agreement (“MMA”) with the Managers provides for an annual adjustment of the daily vessel management fee due to inflation to take effect on January 1 of each year. The vessel management fee for laid-up vessels is half of the daily fee for the period they are laid-up. The MMA, as periodically amended and restated, will automatically be extended after the initial five-year period for an additional five-year period unless terminated on or before the 90th day preceding the initial termination date. Pursuant to the MMA, each ship-owning company has signed – and each future ship owning company when a vessel is acquired will sign – with either of the Managers, a management agreement with the rate and term of these agreements set in the MMA effective at such time. Euroseas MMA provided for a 5% discount for the period during which the number of the Euroseas-owned vessels (including vessels in which Euroseas is a part owner) managed by the Managers is greater than 20 (“volume discount”).

EuroDry signed new MMAs with the Managers which took effect after the completion of the Spin-off for an additional five-year term until May 30, 2023 on substantially the same terms as the MMA between Euroseas and Eurobulk relating to the vessels that were previously owned by Euroseas. The Eurodry MMAs permanently incorporated the volume discount in the daily vessel management fee, which was set at Euro 685 per day per vessel in operation, and Euro 342.5 per day per vessel in lay-up,to be adjusted annually for inflation in the Eurozone. The daily fixed vessel management fee remained unchanged for the years ended December 31, 2020 and 2021. From January 1, 2022, the vessel fixed management fee was adjusted for inflation in the Eurozone at Euro 720(approximately $770, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in operation and Euro 360(approximately $385, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in lay-up. From January 1, 2023, the vessel fixed management fee was adjusted for inflation at Euro 775(approximately $829, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in operation and Euro 387.5(approximately $415, using the exchange rate as of December 31, 2022, which was $1.07 per euro) per day per vessel in lay-up and the MMA was extended for a further five-year term until January 1, 2028.

6. Related Party Transactions - Continued

The vessels M/V “Xenia”, M/V “Alexandros P.”, M/V “Tasos” and M/V “Ekaterini” are managed by Eurobulk FE, which provides technical, commercial and accounting services for the same daily vessel management fee as noted above. The remaining fleet of the Company (M/V “Eirini P.”, M/V “Good Heart”, M/V “Blessed Luck”, M/V “Starlight”, M/V “Molyvos Luck” and M/V “Santa Cruz”) is managed by Eurobulk.

Amounts due to or from related companies represent net disbursements and collections made on behalf of the ship-owning companies by the Managers during the normal course of operations for which a right of off-set exists. As of December 31, 2021, the amount due to related companies was $244,587. As of December 31, 2022 the amount due from related companies was $2,416,180. Based on the MMA, an estimate of the quarter’s operating expenses, expected dry-dock expenses, vessel management fee and fee for management executive services are to be advanced by the Company’s ship-owning subsidiaries in the beginning of the quarter or at the end of the previous quarter to the respective Manager.

The Company uses brokers for various services, as is industry practice. Eurochart S.A. (“Eurochart”), a company controlled by certain members of the Pittas family, provides vessel sale and purchase services, and chartering services to the Company whereby the Company pays commission of 1% of the vessel sales price and 1.25% of charter revenues. A commission of 1% of the purchase price is also paid to Eurochart by the seller of the vessel for acquisitions the Company makes using Eurochart’s services. The Company withheld, on behalf of Eurochart, nil commissions in 2020, as there were no vessel acquisitions. During 2021, the Company paid to Eurochart commissions of $365,000 for the acquisitions of M/V “Blessed Luck” and M/V “Good Heart”, which were agreed to be paid by the buyers, as per the relevant memoranda of agreement entered into with the sellers. During 2022, the Company paid to Eurochart commissions of $210,000 for the acquisition of M/V “Molyvos Luck” which is capitalized as part of the vessel cost. In April 2022, the Company withheld the amount of $157,500 from the sellers of M/V “Santa Cruz”, on behalf of Eurochart, as a 1% commission in connection with the acquisition of the vessel. Commission paid by the Company to Eurochart for the sale of M/V Pantelis amounted to $96,750 in 2022, recorded in “Net gain on sale of vessel” in the consolidated statement of operations. Commissions to Eurochart for chartering services totaled $294,933, $856,334 and $932,123 in 2020, 2021 and 2022, respectively, recorded in “Commissions” in the consolidated statements of operations.

Certain members of the Pittas family, together with another unrelated ship management company, have formed a joint venture with the insurance broker Sentinel Maritime Services Inc. (“Sentinel”). Technomar Crew Management Services Corp (“Technomar”) is a company owned by certain members of the Pittas family, together with two other unrelated ship management companies, which provides crewing services. Sentinel is paid a commission on insurance premiums not exceeding 5%; Technomar is paid a fee of about $50 per crew member per month. Total fees charged by Sentinel and Technomar were $40,962 and $81,947 in 2020, $43,478 and $86,906 in 2021, and $69,205 and $138,397 in 2022, respectively. These amounts are recorded in “Vessel operating expenses” in the consolidated statements of operations.

On May 10, 2021, the Company reached an agreement with a related party, Ergina Shipping Ltd. (“Ergina”), a company controlled by the Pittas family and affiliated with the Company’s Chief Executive Officer, to draw a loan of $6,000,000, which was used by the Company to partly finance the acquisition of M/V “Blessed Luck”. The loan was set to mature on May 31, 2022. The interest rate applied was 8% per annum. Interest on the loan was payable quarterly. Within 2021 the Company paid $79,533 for interest. On June 4, 2021, Ergina exercised its right to convert part of the outstanding balance of the loan, amounting to $3,300,000, into the Company’s common shares as per the terms of the loan agreement. As a result, on June 4, 2021, the Company issued 180,308 shares to Ergina. The conversion price was the lowest closing price over the fifteen business days prior to the conversion notice as per the terms of the loan, amounting to approximately $18.30 per share. The Company incurred a loss on the extinguishment of the above debt of $1,647,654, deriving from the difference between the conversion price and the closing price of the Company’s common shares on the Nasdaq Capital Market on the date of issuance of approximately $27.44 per share. This amount is recorded under “Loss on debt extinguishment” in the consolidated statement of operations for the year ended December 31, 2021. The remaining amount of $2,700,000 was repaid earlier than scheduled on September 29, 2021.

(All amounts expressed in U.S. Dollars)

7. Long-Term Bank Loans

These consist of bank loans of the ship-owning companies and are as follows:

Borrower		December 31, 2021	December 31, 2022
Kamsarmax Two Shipping Ltd.	(a)	13,250,000	11,950,000
Kamsarmax One Shipping Ltd. / Ultra One Shipping Ltd.	(b)	25,200,000	23,200,000
Eirini Shipping Ltd.	(c)	4,370,000	3,530,000
Light Shipping Ltd. / Good Heart Shipping Ltd.	(d)	20,900,000	17,000,000
Blessed Luck Shipowners Ltd.	(e)	7,250,000	4,750,000
Areti Shipping Ltd. / Pantelis Shipping Corp.	(f)	8,400,000	2,400,000
Molyvos Shipping Ltd. / Santa Cruz Shipowners Ltd.	(g)	-	19,025,000
		79,370,000	81,855,000
Less: Current portion		(14,140,000)	(23,040,000)
Long-term portion		**65,230,000**	**58,815,000**
Deferred charges, current portion		190,280	181,913
Deferred charges, long-term portion		527,053	454,831
Long-term bank loans, current portion net of deferred charges		**13,949,720**	**22,858,087**
Long-term bank loans, long-term portion net of deferred charges		**64,702,947**	**58,360,169**

The future annual loan repayments are as follows:

To December 31:	
2023	23,040,000
2024	14,090,000
2025	5,690,000
2026	5,710,000
Thereafter	33,325,000
Total	**81,855,000**

7. Long-Term Bank Loans - Continued

(a) On April 27, 2018, the Company signed a term loan facility with HSBC Bank Plc. and a loan of $18.4 million was drawn by Kamsarmax Two Shipping Ltd. on April 30, 2018 to finance 70% of the construction cost but no more than 70% of the market value of M/V “Ekaterini”, subject to the existence of a time charter at the time of drawdown for a minimum period of 24 months approved by the lender. The loan is payable in twenty consecutive quarterly installments commencing from July 2018, eight in the amount of $400,000 and twelve in the amount of $325,000, with a $11,300,000 balloon payment to be paid together with the last installment in April 2023. The loan bears interest at LIBOR plus a margin of 2.80%. The loan is secured with (i) first priority mortgage over M/V “Ekaterini”, (ii) first assignment of earnings and insurance of M/V "Ekaterini" and (iii) other covenants and guarantees similar to the remaining loans of the Company. The security cover ratio covenant for this facility stands at 130%.

(b) On January 27, 2021, the Company signed a term loan facility with Eurobank S.A. for an amount of up to $26,700,000, in order to refinance the existing indebtedness of M/V “Xenia” and M/V “Alexandros P.”, amounting to $22,482,000 as of the date of refinancing, and for working capital purposes, including the partial redemption of the Company’s Series B Preferred Shares. The facility was available in two tranches. The first tranche of $13,815,000 was drawn on January 27, 2021 and the second tranche of $12,885,000 was drawn on January 29, 2021 by Kamsarmax One Shipping Ltd. and Ultra One Shipping Ltd. as the borrowers. The loan is payable in twenty-four consecutive quarterly instalments of $500,000 each, followed by a balloon payment of $14,700,000 to be paid together with the last installment in January 2027. The loan bears interest at LIBOR plus a margin of 2.75%. The loan is secured with the following: (i) first priority mortgages over M/V “Xenia” and M/V “Alexandros P.”, (ii) first assignment of earnings and insurance of the abovementioned vessels and (iii) other covenants and guarantees similar to the remaining loans of the Company. The security cover ratio covenant for this facility stands at 120%. The Company paid loan arrangement fees of $300,000 for this loan.

(c) On February 22, 2021, the Company signed a term loan facility with Sinopac Capital International (HK) Limited for an amount of up to $5,000,000, in order to refinance the existing indebtedness of M/V “Eirini P”, amounting to $3,300,000 as of the date of the refinancing, and for working capital purposes. An aggregate amount of $5,000,000 was drawn on February 24, 2021 by Eirini Shipping Ltd. as the borrower. The loan is payable in twenty consecutive quarterly instalments of $210,000 each, followed by a balloon payment of $800,000 to be paid together with the last installment in February 2026. The loan bears interest at LIBOR plus a margin of 3.60%. The loan is secured with the following: (i) first priority mortgage over M/V “Eirini P”, (ii) first assignment of earnings and insurance of the abovementioned vessel and (iii) other covenants and guarantees similar to the remaining loans of the Company. The security cover ratio covenant for this facility stands at 120%. The Company paid loan arrangement fees of $100,000 for this loan.

7. Long-Term Bank Loans - Continued

(d) On September 30, 2021, the Company signed a term loan facility with the National Bank of Greece S.A. ("NBG") and a loan of $22,000,000 was drawn by Light Shipping Ltd. and Good Heart Shipping Ltd. in order to refinance the existing indebtedness of M/V "Starlight", amounting to $8,700,000 as of the date of the refinancing, and to post-delivery finance part of the acquisition cost of M/V "Good Heart". The loan is payable in twenty four consecutive quarterly instalments, comprising four installments of $1,100,000 and eight installments of $600,000, followed by an interim balloon payment of $2,400,000 payable together with the 12th installment, then four installments of $200,000, six installments of $150,000 and two last installments of $100,000, followed by a balloon payment of $8,500,000 to be paid together with the last installment in September 2027. The loan bears interest at LIBOR plus a margin of 2.75%. The loan is secured with the following: (i) first priority mortgages over M/V "Starlight" and M/V "Good Heart", (ii) first assignment of earnings and insurance of the abovementioned vessels and (iii) other covenants and guarantees similar to the remaining loans of the Company. The security cover ratio covenant for this facility stands at 125%. The Company paid loan arrangement fees of $176,000 for this loan.

(e) On August 12, 2021, the Company signed a term loan facility with Piraeus Bank S.A. and drew a loan of $8,000,000 for Blessed Luck Shipowners Ltd., in order to post-delivery finance part of the acquisition cost of M/V "Blessed Luck". The loan is payable in twelve consecutive quarterly instalments, the first four in the amount of $750,000 each and the next eight in the amount of $250,000 each, followed by a balloon payment of $3,000,000 to be paid together with the last installment in August 2024. The loan bears interest at LIBOR plus a margin of 2.70%. The loan is secured with the following: (i) first priority mortgage over M/V "Blessed Luck", (ii) first assignment of earnings and insurance of the abovementioned vessel and (iii) other covenants and guarantees similar to the remaining loans of the Company. The security cover ratio covenant for this facility stands at 125%. The Company paid loan arrangement fees of $72,000 for this loan.

(f) On October 6, 2021, the Company signed a term loan facility with Chailease International Financial Services (Singapore) PTE. LTD. and on October 14, 2021 a loan of $9,000,000 was drawn by Areti Shipping Ltd. and Pantelis Shipping Ltd. in order to refinance the existing indebtedness of M/V "Tasos" and M/V "Pantelis". The loan is payable in thirty-six consecutive monthly instalments, the first eighteen in the amount of $300,000 and the next eighteen in the amount of $200,000 each. The loan bears interest at LIBOR plus a margin of 3.50%. In October 2022, the Company sold M/V "Pantelis" used as a collateral to the loan. The amount of $2,850,000 was prepaid and the vessel was released from its mortgage. Following the above prepayment, the monthly principal installments were reduced to $150,000 until April 2023, followed by eighteen monthly instalments of $100,000 each. The loan is secured with the following: (i) first priority mortgage over M/V "Tasos", (ii) first assignment of earnings and insurance of M/V "Tasos" and (iii) other covenants and guarantees similar to the remaining loans of the Company. The Company paid loan arrangement fees of $112,500 for this loan.

7. Long-Term Bank Loans - Continued

(g) On September 30, 2022, the Company signed a term loan facility with Piraeus Bank S.A. and a loan of $20,000,000 was drawn by Molyvos Shipping Ltd. and Santa Cruz Shipowners Ltd. in order to post-delivery finance part of the acquisition cost of M/V "Molyvos Luck and M/V "Santa Cruz". The loan is payable in twenty consecutive quarterly installments, the first four instalments in the amount of $975,000 each and the next sixteen in the amount of $525,000 each, followed by a balloon instalment of $7,700,000, payable together with the last instalment. The loan bears interest at term Secured Overnight Financing Rate ("term SOFR") plus credit adjustment spread plus a margin of 2.25%. The loan is secured with the following: (i) first priority mortgages over M/V "Molyvos Luck" and M/V "Santa Cruz", (ii) first assignment of earnings and insurance of the abovementioned vessels and (iii) other covenants and guarantees similar to the remaining loans of the Company. The security cover ratio covenant for this facility stands at 125%. The Company paid loan arrangement fees of $150,000 for this loan.

In addition to the terms specific to each loan described above, all the above loans are secured with a pledge of all the issued shares of each borrower.

The loan agreements also contain covenants such as minimum requirements regarding the security cover ratio covenant (the ratio of fair value of vessel to outstanding loan less cash in retention accounts), restrictions as to changes in management and ownership of the ship-owning companies, distribution of profits or assets (i.e. not permitting dividend payment or other distributions in cases that an event of default has occurred), additional indebtedness and mortgage of vessels without the lender's prior consent, sale of vessels, maximum fleet-wide leverage, sale of capital stock of the Company's subsidiaries, ability to make investments and other capital expenditures, entering in mergers or acquisitions, minimum cash balance requirements and minimum cash retention accounts (restricted cash). The loan agreements also require the Company to make deposits in retention accounts with certain banks that can only be used to pay the current loan installments. Minimum cash balance requirements are in addition to cash held in retention accounts. These cash deposits amounted to $2,679,940 and $3,080,863 as of December 31, 2021 and 2022, respectively, and are included in "Restricted cash" under "Current assets" and "Long-term assets" in the consolidated balance sheets. As of December 31, 2022, all the debt covenants are satisfied.

Interest expense for the years ended December 31, 2020, 2021 and 2022 amounted to $2,191,294, $2,040,694 and $3,622,458, respectively. No interest was capitalized for the years ended December 31, 2020, 2021 and 2022.

8. Income Taxes

The Company is in the business of international shipping and is not subject to a material amount of income taxes. The Company is subjected to tonnage taxes in certain jurisdictions as described below and includes these taxes under "Vessel Operating Expenses" in the consolidated statements of operations.

Under the laws of the countries of the shipowning companies' incorporation and/or vessels' registration, the shipowning companies are not subject to tax on international shipping income. However, they are subject to registration and tonnage taxes. In addition, each foreign flagged vessel managed in Greece by Greek or foreign ship management companies is subject to Greek tonnage tax, under the laws of the Hellenic Republic. The technical managers of the Company's vessels, which are established in Greece under Greek Law 89/67, are responsible for the filing and payment of the respective tonnage tax on behalf of the Company.

Under the United States Internal Revenue Code of 1986, as amended (the "Code"), the U.S. source gross transportation income of a ship-owning or chartering corporation, such as the Company, is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder. U.S. source gross transportation income consists of 50% of the gross shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Under IRS regulations, a Company's shares will be considered to be regularly traded on an established securities market if (i) one or more classes of its shares representing 50% or more of its outstanding shares, by voting power of all classes of shares of the corporation entitled to vote and of the total value of the shares of the corporation, are listed on the market and (ii) (A) such class of share is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one sixth of the days in a short taxable year; and (B) the aggregate number of shares of such class of share traded on such market during the taxable year must be at least 10% of the average number of shares of such class of share outstanding during such year or as appropriately adjusted in the case of a short taxable year. Notwithstanding the foregoing, the treasury regulations provide, in pertinent part, that a class of the Company's shares will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of the Company's outstanding shares ("5% Override Rule").

For the taxable years 2020 and 2021 the Company believes that it was exempt from U.S. federal income tax of 4% on U.S. source shipping income. For the taxable year 2022, the Company believes that it was subject to the Five Percent Override Rule, but nonetheless satisfied the Publicly-Traded Test for the 2022 taxable year because the nonqualified 5% Shareholders did not own more than 50% of our common stock for more than half of the days during the taxable year.

9. Commitments and Contingencies

There are no material legal proceedings to which the Company is a party or to which any of its properties are subject, other than routine litigation incidental to the Company's business. In the opinion of the management, the disposition of these lawsuits should not have a material impact on the consolidated results of operations, financial position and cash flows.

As of December 31, 2022, future gross minimum revenues under non-cancellable time charter agreements total $10.3 million. The amount of $9.6 million is due in the year ending December 31, 2023 and another $0.7 million due in the year ending December 31, 2024. Future gross minimum revenues also include revenues deriving from an index linked charter agreement using the index rate at the commencement date of the agreement, in compliance with ASC 842. In arriving at the future gross minimum revenues, the Company has deducted an estimated one off-hire day per quarter plus estimated off-hire time required for normal periodic maintenance of the vessels, if applicable. Such off-hire estimate may not be reflective of the actual off-hire in the future. In addition, the actual revenues could be affected by early delivery of the vessel by the charterers or any exercise of the charterers' options to extend the terms of the charters, which however cannot be estimated and hence not reflected above.

10. Stock Incentive Plan

In May 2018, the Company's Board of Directors approved an equity incentive plan (the "May 2018 Plan"). The May 2018 Plan will be administered by the Company's Board of Directors which can make awards totaling in aggregate up to 150,000 shares over five years after the May 2018 Plan's adoption date. Officers, directors and employees (including any prospective officer or employee) of the Company and its subsidiaries and affiliates and consultants and service providers (including persons who are employed by or provide services to any entity that is itself a consultant or service provider) to the Company and its subsidiaries and affiliates (collectively, "key persons") will be eligible to receive awards under the equity incentive plan. Awards may be made under the May 2018 Plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, unrestricted stock, restricted stock units and performance shares. Details of awards granted under the May 2018 Plan are noted below.

On November 21, 2018 an award of 25,090 non-vested restricted shares, was made to 18 key persons of which 50% vested on November 16, 2019 and 50% vested on November 16, 2020; awards to officers and directors amounted to 14,434 shares and the remaining 10,656 shares were awarded to employees of Eurobulk.

On November 4, 2019 an award of 24,710 non-vested restricted shares, was made to 17 key persons of which 50% vested on July 1, 2020 and 50% vested on July 1, 2021; awards to officers and directors amounted to 13,940 shares and the remaining 10,770 shares were awarded to employees of Eurobulk.

On November 5, 2020 an award of 44,900 non-vested restricted shares, was made to 15 key persons of which 50% vested on November 16, 2021 and the remaining 50% vested on November 16, 2022; awards to officers and directors amounted to 27,100 shares and the remaining 17,800 shares were awarded to employees of Eurobulk.

On November 19, 2021 an award of 49,650 non-vested restricted shares, was made to 21 key persons of which 50% vested on July 1, 2022 and the remaining 50% will vest on July 1, 2023; awards to officers and directors amounted to 27,700 shares and the remaining 21,950 shares were awarded to employees of Eurobulk.

On November 3, 2022 an award of 58,600 non-vested restricted shares, was made to 30 key persons of which 50% will vest on November 16, 2023 and the remaining 50% will vest on November 15, 2024; awards to officers and directors amounted to 29,600 shares and the remaining 29,000 shares were awarded to employees of Eurobulk.

All non-vested restricted shares are conditional upon the grantee's continued service as an employee of the Company or Eurobulk or as a director of the Company until the applicable vesting date. The grantee does not have the right to vote on such non-vested restricted shares until they vest or exercise any right as a shareholder of these shares, however, the non-vested shares will accrue dividends as declared and paid which will be retained by the Company until the shares vest, at which time they are payable to the grantee. As non-vested restricted share grantees accrue dividends on awards that are expected to vest, such dividends are charged to retained earnings.

(All amounts expressed in U.S. Dollars)

10. Stock Incentive Plan – Continued

The compensation cost that has been charged against income for awards was $245,922, $230,644 and $788,725, for the years ended December 31, 2020, 2021 and 2022, respectively, and is included within “General and administrative expenses” in the consolidated statements of operations. The Company has used the straight-line method to recognize the cost of the awards.

A summary of the status of the Company’s non-vested shares as of December 31, 2020, 2021 and 2022, and the movement during the years ended December 31, 2020, 2021 and 2022, are presented below:

Non-vested Shares	Shares	Weighted-Average Grant-Date Fair Value
Non-vested on January 1, 2020	37,255	8.81
Granted	44,900	4.3
Vested	(24,096)	9.11
Forfeited	(1,314)	9.36
Non-vested on December 31, 2020	56,745	5.1
Non-vested on January 1, 2021	56,745	5.1
Granted	49,650	20.81
Vested	(34,295)	5.62
Non-vested on December 31, 2021	72,100	15.67
Non-vested on January 1, 2022	72,100	15.67
Granted	58,600	13.95
Vested	(47,750)	14.48
Non-vested on December 31, 2022	82,950	15.14

As of December 31, 2022, there was $1,072,919 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the May 2018 Plan and is expected to be recognized over a weighted-average period of 0.863 years. The total fair value at grant-date of shares granted during the years ended December 31, 2020, 2021 and 2022 was $193,070, $1,033,217 and $817,470, respectively.

(All amounts expressed in U.S. Dollars)

11. (Loss) / Earnings per Share

Basic and diluted (loss) / earnings per common share are computed as follows:

	2020	2021	2022
Income:			
Net (loss) / income	(5,877,861)	31,153,821	33,542,671
Dividends to Series B preferred shares	(1,573,874)	(1,085,902)	-
Preferred deemed dividend	-	(665,287)	-
Net (loss) / income attributable to common shareholders	(7,451,735)	29,402,632	33,542,671
Weighted average common shares – outstanding, basic	2,275,062	2,528,507	2,876,320
Basic (loss) / earnings per share	(3.28)	11.63	11.66
Effect of dilutive securities:			
Dilutive effect of non-vested shares	-	20,443	13,671
Weighted average common shares – outstanding, diluted	2,275,062	2,548,950	2,889,991
Diluted (loss) / earnings per share	(3.28)	11.54	11.61

For the year ended December 31, 2020, during which the Company incurred losses, the effect of 56,745 non-vested stock awards and of 16,606 Series B Preferred Shares, respectively, was anti-dilutive. The number of dilutive securities was nil in 2020. Hence for the year ended December 31, 2020, “Basic loss per share” equals “Diluted loss per share.” For the years ended December 31, 2021 and 2022 the denominator of the diluted earnings per share calculation includes 20,443 and 13,671 common shares, being the number of incremental shares assumed issued under the treasury stock method.

(All amounts expressed in U.S. Dollars)

12. Voyage Expenses, net and Vessel Operating Expenses

These consist of:

	Year ended December 31,		
	2020	**2021**	**2022**
Voyage expenses, net			
Port charges and canal dues	205,880	209,405	478,205
Bunkers consumption (including gain on bunkers)	79,252	(965,403)	(2,503,325)
Total	**285,132**	**(755,998)**	**(2,025,120)**
Vessel operating expenses			
Crew wages and related costs	6,744,095	8,046,730	10,906,231
Insurance	1,085,663	1,300,050	1,895,004
Repairs and maintenance	352,890	397,551	640,672
Lubricants	696,297	866,772	1,195,526
Spares and consumable stores	2,040,039	2,055,920	3,367,528
Professional and legal fees	273,958	369,758	498,687
Other	410,472	528,311	830,250
Total	**11,603,414**	**13,565,092**	**19,333,898**

13. Derivative Financial Instruments

Interest rate swaps

Effective August 8, 2017, Euroseas Ltd. entered into a five year interest rate swap with HSBC Bank Plc. (“HSBC”) for a notional amount of $5.0 million, in order to manage interest costs and the risk associated with changing interest rates of the loans associated with M/V “Eirini P.”, M/V “Tasos” and M/V “Pantelis”, which therefore was allocated to the Company. Under the terms of the swap, HSBC makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays an adjustable rate averaging 1.93% (more specifically, the Company paid the fixed rate of 1.40% until August 8, 2018, then 1.75% until August 8, 2019, then 1.85% until August 8, 2020 and then 2.32% until August 8, 2022) based on the notional amount. The swap agreement was novated to the Company on May 30, 2018.

On July 24, 2018, the Company entered into an interest rate swap with HSBC for a notional amount of $5.0 million, with inception date on July 24, 2018 and maturity date on July 24, 2023. Under this contract, HSBC makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 2.93% based on the notional amount.

On April 9, 2020, the Company entered into an interest rate swap with HSBC for a notional amount of $10.0 million, with inception date on April 15, 2020 and maturity date on April 15, 2025. Under this contract, HSBC makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 0.737% based on the notional amount.

On October 12, 2021, the Company entered into an interest rate swap with HSBC for a notional amount of $10.0 million, with inception date on October 14, 2021 and maturity date on October 14, 2025. Under this contract, HSBC makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 1.032% based on the notional amount.

On June 17, 2022, the Company entered into an interest rate swap with NBG for a notional amount of $10.0 million, with inception date on January 3, 2023 and maturity date on January 3, 2028. Under this contract, NBG makes a quarterly payment to the Company equal to the 3-month LIBOR while the Company pays a fixed rate of 3.189% based on the notional amount.

The interest rate swaps did not qualify for hedge accounting as of December 31, 2021 and 2022.

13. Derivative Financial Instruments –Continued

Freight Forward Agreements ("FFA")

In 2020 the Company entered into five FFA contracts on the Baltic Panamax Index ("BPI") (a contract for the three months of the third quarter of 2020, totaling 90 days at an average TCE rate of $9,800, a contract for the three months of the third quarter of 2020, totaling 90 days at an average TCE rate of $12,000 per day, a contract for the three months of the fourth quarter of 2020, totaling 90 days at an average TCE rate of $10,200 per day, a contract for the three months of the fourth quarter of 2020, totaling 90 days at an average TCE rate of $12,000 per day and a contract for 10 days per month for the first quarter of 2021, totaling 30 days at an average TCE rate of $9,500 per day).

In the first quarter of 2021 the Company entered into four FFA contracts on the BPI (a contract for the first three calendar months of 2021, totaling 30 days at an average TCE rate of $10,650, a contract for the first three calendar months of 2021, totaling 30 days at an average TCE rate of $11,050, a contract for the first three calendar months of 2021, totaling 30 days at an average TCE rate of $12,500 and a contract for the last three quarters of 2021, totaling 270 days at an average rate of $12,550). In the fourth quarter of 2021 the Company entered into an additional FFA contract on the BPI for the first three calendar months of 2022, totaling 90 days at an average rate of $31,350, which was closed in December 2021.

In the second quarter of 2022 the Company entered into an FFA contract on the BPI (a contract for the July, August and September of 2022, totaling 90 days at an average TCE rate of $28,175). In the fourth quarter of 2022 the Company entered into an FFA contract on the BPI for the first three calendar months of 2023, totaling 90 days at an average rate of $12,000.

The contracts are settled on a monthly basis using the average of the BPI for the days of the month the BPI is published. The Company receives a payment if the average BPI for the month is below the contract rate equal to the difference of the contract rate less the average BPI for the month multiplied by the number of contract days sold; if the average BPI for the month is greater than the contract rate the Company makes a payment equal to the difference of the average BPI for the month less the contract rate multiplied by the number of contract days sold. If the Company buys contracts previously sold (or the opposite) the Company receives or pays the difference of the two rates for the period covered by the contracts.

The FFA contracts did not qualify for hedge accounting. The Company follows guidance relating to "Fair value measurements" to calculate the fair value of the FFA contracts (see Note 15).

(All amounts expressed in U.S. Dollars)

13. Derivative Financial Instruments – Continued

Derivatives not designated as hedging instruments	Balance Sheet Location	December 31, 2021	December 31, 2022
Interest rate swap contracts	Current assets - Derivatives	-	1,396,568
FFA contract	Current assets - Derivatives	-	40,830
Interest rate swap contracts	Long-term assets – Derivatives	210,113	705,970
Total derivative assets		**210,113**	**2,143,368**
Interest rate swap contracts	Current liabilities – Derivatives	289,430	-
Total derivative liabilities		**289,430**	**-**

Derivatives not designated as hedging instruments	Location of gain (loss) recognized	Year Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2022
Interest rate swap contracts– Unrealized (loss) / gain	(Loss) / gain on derivatives, net	(411,849)	636,705	2,181,855
Interest rate swap contracts - Realized loss	(Loss) / gain on derivatives, net	(128,556)	(301,905)	(137,915)
FFA contracts – Unrealized (loss) / gain	(Loss) / gain on derivatives, net	(134,010)	134,010	40,830
FFA contracts– Realized (loss)/gain	(Loss) / gain on derivatives, net	(115,944)	(4,234,429)	1,104,840
Total (loss) / gain on derivatives, net		**(790,359)**	**(3,765,619)**	**3,189,610**

(All amounts expressed in U.S. Dollars)

14. Preferred shares

	Number of Shares	Preferred Shares Amount	Dividends paid-in-kind	Total
Balance, January 1, 2020	**15,387**	**14,602,098**	**119,567**	**14,721,665**
Dividends declared	1,219	-	1,219,048	1,219,048
Balance, December 31, 2020	**16,606**	**14,602,098**	**1,338,615**	**15,940,713**
Redemption of Preferred shares	(16,606)	(15,267,385)	(1,338,615)	(16,606,000)
Preferred deemed dividend	-	665,287	-	665,287
Balance, December 31, 2021 and 2022	**-**	**-**	**-**	**-**

On January 27, 2014, Euroseas issued 25,000 shares of its Series B Convertible Perpetual Preferred Shares to a fund managed by Tennenbaum Capital Partners, LLC (“TCP”) and 5,700 shares to Preferred Friends Investment Company Inc., an affiliate of Euroseas and the Company, for total net proceeds of approximately $29 million. The redemption amount of the Series B Preferred Shares is $1,000 per share.

Under the Company’s amended and restated articles of incorporation, effective after the Spin-off, the Company is authorized to issue up to 20,000,000 shares of preferred stock, par value $0.01 per share. The preferred stock may be issued in one or more series and the Company’s Board of Directors, without further approval from the Company’s shareholders, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights, liquidation preferences and other rights and restrictions relating to any series. On May 30, 2018, in connection with the Spin-off, 19,042 EuroDry Series B Preferred Shares, representing 50% of Euroseas Series B Preferred Stock, were issued and distributed to holders of Euroseas' Series B Preferred Shares in exchange for the cancellation of an equal number of such Euroseas Series B Preferred Shares. The rights of the holders of EuroDry Series B Preferred Shares rank senior to the obligations to holders of the Company’s common shares. Additionally, EuroDry Series B Preferred Shares are issued when dividends to EuroDry Series B Preferred Shares are paid in-kind.

14. Preferred shares - Continued

The EuroDry Series B Preferred Shares paid dividends in-kind until January 29, 2019 at a rate of 5% per annum. The dividend rate increased to 12% for the two years following January 29, 2019 and to 14% thereafter and was payable only in cash. Cash dividends were declared at each quarter and actual payments were made within the following quarter. If a cash dividend was paid on the Company's common stock after January 29, 2019 the holders of EuroDry Series B Preferred Shares would receive an additional cash dividend in an amount equal to 40% of the common stock dividend it would have received on an as-converted basis. The EuroDry Series B Preferred Shares were convertible into common shares at the option of their holders at any time, and at the option of the Company only if certain share price and liquidity milestones were met. Each EuroDry Series B Preferred Share would be convertible into common shares at an initial conversion price of $31.64 (subject to adjustment for certain events, including upon a default). EuroDry Series B Preferred Shares were redeemable in cash by the Company at any time after January 29, 2019. Holders of EuroDry Series B Preferred Shares may require the Company to redeem their shares only upon the occurrence of certain corporate events.

On June 19, 2019, the Company agreed to redeem $4.3 million of its Series B Preferred Shares. In parallel with the redemption, the holders of the remaining Series B Preferred Shares agreed to reduce the annual dividend rate to 9.25% until January 2021.

On January 29, 2021, the Company agreed to redeem $3.0 million of its Series B Preferred Shares. In parallel with the redemption, the holders of the remaining Series B Preferred Shares agreed to reduce the annual dividend rate to 8% for two years from the 14% per annum level it was set to increase on January 29, 2021. The difference between (1) the fair value of the consideration transferred to the holders of the EuroDry Series B Preferred Shares (comprising the cash payment offered) and (2) the carrying amount of the Series B Preferred Shares before the redemption (net of issuance costs) amounted to $120,000, and was recorded as preferred deemed dividend.

On December 16, 2021, the Company agreed to redeem all the outstanding balance of its Series B Preferred Shares amounting to $13,606,000. The difference between (1) the fair value of the consideration transferred to the holders of the EuroDry Series B Preferred Shares (comprising the cash payment offered) and (2) the carrying amount of the Series B Preferred Shares before the redemption (net of issuance costs) amounted to $545,287, and was recorded as preferred deemed dividend.

For the year ended December 31, 2020, the Company declared dividends of $1,573,874, of which $354,826 were paid in cash during 2020 and another $1,219,048 were paid in kind. For the year ended December 31, 2021, the Company declared dividends of $1,085,902, all of which were paid in cash during 2021.

Subject to certain ownership thresholds, holders of EuroDry Series B Preferred Shares had the right to appoint one director to the Company's board of directors and TCP also had consent rights over certain corporate actions. In addition, the holders of EuroDry Series B Preferred Shares would vote as one class with the Company's common stock on all matters on which shareholders are entitled to vote, with each EuroDry Series B Preferred Share having a number of votes equal to 50% of the numbers of shares of common stock of the Company into which such EuroDry Series B Preferred Share would be convertible on the applicable record date.

15. Financial Instruments

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash, trade accounts receivable, other receivables, derivatives and amount due from related companies. The principal financial liabilities of the Company consist of long-term bank loans, trade accounts payable and accrued expenses.

Interest rate risk

The Company enters into interest rate swap contracts as economic hedges to manage some of its exposure to variability in its floating rate long-term bank loans. Under the terms of the interest rate swaps the Company and the bank agreed to exchange, at specified intervals, the difference between a paying fixed rate and receiving floating rate interest amount calculated by reference to the agreed principal amounts and maturities. Interest rate swaps allow the Company to convert long-term bank loans issued at floating rates into equivalent fixed rates. Even though the interest rate swaps were entered into for economic hedging purposes, as noted in Note 13 they do not qualify for hedge accounting, under the guidance relating to *Derivatives and Hedging*, as the Company does not have currently written contemporaneous documentation identifying the risk being hedged and, both on a prospective and retrospective basis, performing an effectiveness test to support that the hedging relationship is highly effective. Consequently, the Company recognizes the change in fair value of the derivative under "(Loss) / gain on derivatives, net" in the consolidated statements of operations. As of December 31, 2022, the Company had four open interest rate swap contracts for a notional amount of $35.0 million.

Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentration of credit risk consist primarily of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluation of the relative credit standing of these financial institutions that are considered in the Company’s investment strategy. The Company limits its credit risk with trade accounts receivable by performing ongoing credit evaluations of its customers’ financial condition and generally does not require collateral for its trade accounts receivable as the Company in most cases gets paid in advance. The Company may be exposed to credit risk in the event of non-performance by its counterparties to derivative instruments; however, the Company limits its exposure by transacting with counterparties with high credit ratings.

Fair value of financial instruments

The Company follows guidance relating to “Fair value measurements”, which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;
Level 3: Unobservable inputs that are not corroborated by market data.

The fair value of the Company’s in FFA contracts is determined based on quoted prices from the applicable exchanges and therefore are considered Level 1 of the fair value hierarchy as defined in guidance relating to "Fair value measurements".

The fair value of the Company’s interest rate swap agreements is determined using a discounted cash flow approach based on market-based LIBOR swap rates. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items. The fair values of the interest rate swaps determined through Level 2 of the fair value hierarchy as defined in guidance relating to "Fair value measurements" are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

(All amounts expressed in U.S. Dollars)

15. Financial Instruments - Continued

Recurring Fair Value Measurements

	Fair Value Measurement as of December 31, 2022			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Interest rate swap contracts, current portion	$ 1,396,568	-	$ 1,396,568	-
Interest rate swap contracts, long term portion	$ 705,970	-	$ 705,970	-
FFA contract, current portion	$ 40,830	$ 40,830		

	Fair Value Measurement as of December 31, 2021			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Interest rate swap contracts, long term portion	$ 210,113	-	$ 210,113	-
Liabilities				
Interest rate swap contracts, current portion	$ 289,430	-	$ 289,430	-

The estimated fair values of the Company's financial instruments such as cash and cash equivalents and restricted cash, trade accounts payable, accrued expenses and amount due from related companies approximate their individual carrying amounts as of December 31, 2021 and 2022, due to their short-term maturity. Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short-term maturities. The fair value of the Company's long-term bank loans, bearing interest at variable interest rates approximates their recorded values as of December 31, 2022, due to the variable interest rate nature thereof. LIBOR and SOFR rates are observable at commonly quoted intervals for the full terms of the loans and hence fair values of the long-term bank loans are considered Level 2 items in accordance with the fair value hierarchy due to their variable interest rate, being the LIBOR or SOFR.

16. Common stock

During the year ended December 31, 2020, the Company issued 44,900 common shares to the Company's directors and officers and employees of the Manager in connection with its equity incentive plan (Note 10).

During the year ended December 31, 2021, following the Company's prospectus supplement filed with the SEC on June 10, 2021, as further supplemented by the prospectus dated October 12, 2021, the Company issued and sold at-the-market (ATM) 341,017 shares of common stock for gross proceeds net of commissions of $9.98 million.

On June 4, 2021, the Company received notice from Ergina, which had provided EuroDry with a loan of $6.0 million in May 2021, whereby Ergina exercised its right to convert part of the outstanding balance of the loan of $3.3 million into common shares of the Company as per the terms of the loan. As a result, the Company issued 180,308 common shares to Ergina. The conversion price was the lowest closing price over the fifteen business days prior to the conversion notice as per the terms of the loan (see Note 6).

During the year ended December 31, 2021, the Company issued 49,650 common shares to the Company's directors and officers and employees of the Manager in connection with its equity incentive plan (Note 10).

During the year ended December 31, 2022, following the Company's prospectus supplement filed with the SEC on June 10, 2021, as further supplemented by the prospectus dated October 12, 2021, the Company issued and sold at-the-market (ATM) 65,130 shares of common stock for gross proceeds net of commissions of $2.69 million.

On August 8, 2022, the Company announced that its Board of Directors has approved a share repurchase program for up to a total of $10 million of the Company's common stock. The Board will review the program after a period of 12 months. Share repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of purchases under the program will be determined by management based upon market conditions and other factors. The program does not require the Company to purchase any specific number or amount of shares and may be suspended or reinstated at any time at the Company's discretion and without notice. During the year ended December 31, 2022, the Company under its share repurchase program repurchased and cancelled 140,301 common shares, in open market transactions, for an aggregate consideration of approximately $2.0 million.

During the year ended December 31, 2022, the Company issued 58,600 common shares to the Company's directors and officers and employees of the Manager in connection with its equity incentive plan (Note 10).

17. Subsequent events

(a) **Share repurchase program:** During January, February and March 2023, the Company under its share repurchase program, repurchased 58,430 shares of common stock for an amount net of expenses paid of $1.0 million.

(b) **Loan repayment:** On March 3, 2023, the Company repaid in full the outstanding amount of $11.63 million of the loan of Kamsarmax Two Shipping Ltd. with HSBC and M/V "Ekaterini" was released from its mortgage.

(c) **Loan facility:** On March 30, 2023, the Company signed a term sheet with a major commercial banking institution for a loan up to the lesser of $14.0 million or up to 52.5% of the market value of M/V "Ekaterini" mortgaging as collateral the aforementioned vessel. The drawdown will take place in April 2023 and is subject to customary definitive documentation. The loan will be payable in sixteen consecutive quarterly instalments in the amount of $240,000, with a $10,160,000 balloon payment to be made together with the last installment. The interest rate margin is 2.50% over SOFR. The loan will be secured with (i) first priority mortgage over M/V "Ekaterini", (ii) first assignment of earnings and insurance of M/V "Ekaterini" and (iii) other covenants and guarantees similar to the remaining loans of the Company.

(d) **SWAP contracts liquidation:** On March 30, 2023, the Company terminated early three interest swap contracts that had entered into with HSBC. The notional amount of the contracts terminated early was $25 million in total. The Company recognized a gain of approximately $1.6 million from the liquidation of these contracts.

DATED 30 September 2022

MOLYVOS SHIPPING LTD
SANTA CRUZ SHIPOWNERS LTD (1)
- and –
PIRAEUS BANK S.A. (2)

FACILITY AGREEMENT in respect of a loan of up to USD20,000,000

PIRAEUS

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THIS AGREEMENT dated 30 September 2022 is made **BY** and **BETWEEN**:

(1) **MOLYVOS SHIPPING LTD** and **SANTA CRUZ SHIPOWNERS LTD** as joint and several Borrowers; and

(2) **PIRAEUS BANK S.A.** as Lender.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. **PURPOSE, DEFINITIONS AND CONSTRUCTION**

1.1 **Purpose**

This Agreement sets out the terms and conditions upon which the Lender agrees to make available to the Borrowers a loan facility in an amount not exceeding the least of (i) twenty million Dollars (USD20,000,000) and (ii) 60% of the Valuation Amount of each Vessel (to be determined no more than 20 days prior to the relevant Drawdown Date) in two advances to be drawn simultaneously, for the purposes of enabling the Borrowers to refinance part of the acquisition cost of the Vessels, upon and subject to the terms and conditions of this Agreement.

1.2 **Definitions**

In this Agreement, unless the context otherwise requires:

"Advance" means each of Advance A and Advance B, and in the plural means both of them;

"Advance A" means the amount equal to the least of (i) twelve million eight hundred fifty thousand Dollars (USD12,850,000) and (ii) 60% of the Valuation Amount of Vessel A (to be determined no more than 20 days prior to the relevant Drawdown Date) or, as the context requires, the amount thereof outstanding from time to time;

"Advance B" means the amount equal to the least of (i) seven million one hundred fifty thousand Dollars (USD7,150,000) and (ii) 60% of the Valuation Amount of Vessel B (to be determined no more than 20 days prior to the relevant Drawdown Date) or, as the context requires, the amount thereof outstanding from time to time;

"Approved Broker" means such second-hand ship sale and purchase broker as the Lender may agree is an Approved Broker for the purposes of this Agreement;

"Article 55 BRRD" means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms;

"Bail-In Action" means the exercise of any Write-down and Conversion Powers;

"**Bail-In Legislation**" means:

(a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and

(b) in relation to any state other than such an EEA Member Country and the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation; and

(c) in relation to the United Kingdom, the UK Bail-In Legislation.

"**Balloon Instalments**" has the meaning given to it in clause 4.1.1, as the same may reduce from time to time, and in the singular means each of them;

"**Banking Day**" means:

(a) a day on which banks are open in Athens and Piraeus (excluding Saturdays and Sundays);

(b) in respect of a day on which a payment is required to be made under a Security Document, a day on which banks are open in New York City (excluding Saturdays and Sundays);

(c) a day on which banks are open in each country or place where a payment is required to be made under a Security Document (excluding Saturdays and Sundays); and

(d) (in relation to the fixing of an interest rate) a day which is a US Government Securities Business Day;

"**Borrowed Money**" means Indebtedness in respect of (i) money borrowed or raised and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance or documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or of any of (ii) to (vii) above and (ix) guarantees in respect of Indebtedness of any person falling within any of (i) to (viii) above;

"**Borrowers**" means, together, Borrower A and Borrower B and in the singular means each of them;

"**Borrower A**" means Molyvos Shipping Ltd, a company incorporated in the Marshall Islands and having its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, Marshall Islands;

"**Borrower B**" means Santa Cruz Shipowners Ltd, a company incorporated in Liberia and having its registered address at 80, Broad Street, Monrovia, Liberia;

"Break Costs" means the aggregate amount of all losses, premiums, penalties, costs and expenses whatsoever certified by the Lender at any time and from time to time as having been incurred by the Lender in maintaining or funding the Loan or in liquidating or re-employing fixed deposits acquired to maintain the same as a result of either:

(a) any repayment or prepayment of the Loan or any part thereof otherwise than (i) in accordance with clause 4.1, or (ii) on an Interest Payment Date whether on a voluntary or involuntary basis or otherwise howsoever; or

(b) the Borrowers failing or being incapable of drawing an Advance after the relevant Drawdown Notice has been given;

"Casualty Amount" means six hundred thousand Dollars (USD600,000) (or the equivalent in any other currency);

"Certified Copy" means in relation to any document delivered or issued by or on behalf of any company, a copy of such document certified as a true, complete and up to date copy of the original by any of the directors or officers for the time being of such company or by such company's attorneys or solicitors;

"Charter Assignment" means a specific assignment of each Extended Employment Contract required to be executed hereunder by either Owner in favour of the Lender (including any notices and/or acknowledgements and/or undertakings associated therewith) in such form as the Lender may require in its sole discretion;

"Classification" means, in relation to each Mortgaged Vessel, the highest class available for a vessel of her type with the relevant Classification Society;

"Classification Society" means, in relation to each Mortgaged Vessel, any classification society which is a member of the International Association of Classification Societies which the Lender shall, at the request of the Borrowers, have agreed in writing shall be treated as the classification society in relation to such Mortgaged Vessel for the purposes of the relevant Ship Security Documents;

"Code" means the US Internal Revenue Code of 1986, as amended, and the regulations promulgated and rulings issued thereunder;

"Commitment" means twenty million Dollars (USD20,000,000) which the Lender is obliged to lend to the Borrowers under this Agreement, as such amount may be reduced and/or cancelled under this Agreement;

“**Compliance Certificate**” means a certificate substantially in the form set out in schedule 3 signed by the chief financial officer of the Corporate Guarantor;

“**Compulsory Acquisition**” means, in respect of a Mortgaged Vessel, requisition for title or other compulsory acquisition including, if the Mortgaged Vessel is not released therefrom within the Relevant Period, capture, appropriation, forfeiture, seizure, detention, deprivation or confiscation howsoever for any reason (but excluding requisition for use or hire) by or on behalf of any Government Entity or other competent authority or by pirates, hijackers, terrorists or similar persons; "**Relevant Period**" means for the purposes of this definition of Compulsory Acquisition either (i) one (1) calendar month or, (ii) in respect of pirates, hijackers, terrorists or similar persons, if relevant underwriters confirm in writing (in terms satisfactory to the Lender) prior to the end of such one (1) month period that such capture, appropriation, forfeiture, seizure, detention, deprivation or confiscation will be fully covered by the Owner’s relevant insurances, the shorter of twelve (12) months after the date upon which the relevant incident occurred and such period at the end of which the relevant cover expires;

“**Corporate Guarantee**” means the unconditional, irrevocable and on demand guarantee of the obligations of the Borrowers under this Agreement and the Master Agreement required to be executed by the Corporate Guarantor in favour of the Lender in such form as the Lender may require;

“**Corporate Guarantor**” means Eurodry Ltd., a corporation listed on NASDAQ and incorporated in the Marshall Islands with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

“**Credit Adjustment Spread**” means:

(a) in respect if an Interest Period of a duration of up to 1 month, 0.11448% per annum;

(b) in respect if an Interest Period of a duration exceeding 1 month and of up to 3 months, 0.26161% per annum;

(c) in respect if an Interest Period of a duration exceeding 3 months and of up to 6 months, 0.42826% per annum;

“**Credit Support Document**” has, in relation to the Master Agreement, the meaning given to that expression therein;

“**Default**” means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

“**Dollars**” and “**USD**” mean the lawful currency of the USA and in respect of all payments to be made under any of the Security Documents means funds which are for same day settlement in the New York Clearing House Interbank Payments System (or such other US dollar funds as may at the relevant time be customary for the settlement of international banking transactions denominated in US dollars);

“**Drawdown Date**” means, in relation to each Advance, any date being a Banking Day falling during the relevant Drawdown Period, on which the relevant Advance is, or is to be, made available;

“**Drawdown Notice**” means, in relation to each Advance, a notice substantially in the form of schedule 1;

“**Drawdown Period**” means the period commencing on the Execution Date and ending on the earliest of (i) 31 October 2022, (ii) such later date as the Lender may agree in its sole discretion and (iii) any date on which the Commitment is finally cancelled or fully drawn under the terms of this Agreement;

“**Earnings**” means, in respect of a Vessel, all moneys whatsoever from time to time due or payable to its Owner during the Facility Period arising out of the use or operation of that Vessel including (but without limiting the generality of the foregoing) all freight, hire and passage moneys, income arising under pooling arrangements, compensation payable to that Owner in event of requisition of its Vessel for hire, remuneration for salvage and towage services, demurrage and detention moneys, and damages for breach (or payments for variation or termination) of any charterparty or other contract (including any contract of affreightment) for the employment of that Vessel (including any proceeds under any loss of hire insurance, if applicable);

“**Earnings Account**” means, in respect of each Earnings Account, an interest bearing USD current account opened or (as the context may require) to be opened by such Borrower with the Lender and includes any sub-accounts thereof and any other account designated in writing by the Lender to be an Earnings Account for the purposes of this Agreement, and in the plural means both of them;

“**Earnings Account Pledge**” means, in respect of each Earnings Account, a first priority pledge required to be executed hereunder between the Borrower which is the owner thereof and the Lender in respect of such Borrower’s Earnings Account in such form as the Lender may require, and in the plural means both of them;

“**EIAPP Certificate**” means the Engine International Air Pollution Prevention Certificate issued or to be issued pursuant to Annex VI of the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78 (Regulations for the Prevention of Air Pollution from Ships) in relation to a Vessel;

“**Encumbrance**” means any mortgage, charge, pledge, lien, hypothecation, assignment, title retention having a similar effect, preferential right, option, trust arrangement or security interest or other encumbrance, security or arrangement conferring howsoever a priority of payment in respect of any obligation of any person (excluding preferential payment rights granted by preferred shares);

“**Environmental Affiliate**” means any agent or employee of either Borrower, the Manager or any other Group Member or any other person having a contractual relationship with either Borrower, the Manager or any other Group Member in connection with either Mortgaged Vessel or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from either Mortgaged Vessel;

“**Environmental Approvals**” means all authorisations, consents, licences, permits, exemptions or other approvals required under applicable Environmental Laws;

"**Environmental Claim**" means (i) any claim by, or directive from, any applicable Government Entity alleging breach of, or non-compliance with, any Environmental Laws or Environmental Approvals or otherwise howsoever relating to or arising out of an Environmental Incident or (ii) any claim by any other third party howsoever relating to or arising out of an Environmental Incident (and, in each such case, "claim" shall include a claim for damages and/or direction for and/or enforcement relating to clean-up costs, removal, compliance, remedial action or otherwise) or (iii) any Proceedings arising from any of the foregoing;

"**Environmental Incident**" means, regardless of cause, (i) any discharge or release of Environmentally Sensitive Material from any Relevant Ship; (ii) any incident in which Environmentally Sensitive Material is discharged or released from a vessel other than a Relevant Ship which involves collision between a Relevant Ship and such other vessel or some other incident of navigation or operation, in either case, where the Relevant Ship, the Manager and/or the relevant Owner and/or the relevant Group Member and/or the relevant Operator are actually, contingently or allegedly at fault or otherwise howsoever liable (in whole or in part) or (iii) any incident in which Environmentally Sensitive Material is discharged or released from a vessel other than a Relevant Ship and where such Relevant Ship is actually or potentially liable to be arrested as a result and/or where the Manager and/or the relevant Owner and/or other Group Member and/or the relevant Operator are actually, contingently or allegedly at fault or otherwise howsoever liable;

"**Environmental Laws**" means all laws, regulations, conventions and agreements whatsoever relating to pollution, human or wildlife well-being or protection of the environment (including, without limitation, the United States Oil Pollution Act of 1990 and any comparable laws of the individual States of the USA);

"**Environmentally Sensitive Material**" means oil, oil products or any other products or substance which are polluting, toxic or hazardous or any substance the release of which into the environment is howsoever regulated, prohibited or penalised by or pursuant to any Environmental Law;

"**EU Bail-In Legislation Schedule**" means the document described as such and published by the Loan Market Association (or any successor person) from time to time;

"**Event of Default**" means any of the events or circumstances listed in clause 10.1;

"**Execution Date**" means the date on which this Agreement has been executed by all the parties hereto;

"**Extended Employment Contract**" means, in respect of a Mortgaged Vessel and at any relevant time, any bareboat charterparty (irrespective of the duration of such charterparty) or any time charterparty or other contract of employment of such ship (including the entry of a Vessel in any pool) which has a remaining tenor exceeding twelve (12) months (including any options to renew or extend such tenor) at such time;

"**Facility Period**" means the period starting on the date of this Agreement and ending on such date as all obligations whatsoever of all of the Security Parties under or pursuant to the Security Documents whensoever arising, actual or contingent, have been irrevocably paid, performed and/or complied with;

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

"FATCA Deduction" means a deduction or withholding from a payment under a Security Document required by FATCA;

"FATCA Exempt Party" means a party to a Security Document that is entitled to receive payments free from any FATCA Deduction;

"FATCA FFI" means a foreign financial institution as defined in section 1471(d)(4) of the Code which, if the Lender is not a FATCA Exempt Party, could be required to make a FATCA Deduction;

"Flag State" means, in respect of each Vessel, the country, which is acceptable to the Lender, on whose flag such Vessel is or is to be registered in the ownership of her Owner;

"General Assignment" means, in respect of each Mortgaged Vessel, the deed of assignment of its earnings, insurances and requisition compensation executed or to be executed by the relevant Owner in favour of the Lender in such form as the Lender may require, and in the plural means all of them;

"Government Entity" means any national or local government body, tribunal, court or regulatory or other agency and any organisation of which such body, tribunal, court or agency is a part or to which it is subject;

"Group" means, at any relevant time, the Corporate Guarantor and its Subsidiaries (including the Borrowers);

"Group Member" means any member of the Group;

"HMT" means His Majesty's Treasury;

"IAPP Certificate" means the International Air Pollution Prevention Certificate issued or to be issued pursuant to Annex VI of the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78 (Regulations for the Prevention of Air Pollution from Ships) in relation to the Vessel;

"Indebtedness" means any obligation howsoever arising (whether present or future, actual or contingent, secured or unsecured as principal, surety or otherwise) for the payment or repayment of money;

"**Insurances**" means, in respect of a Vessel, all policies and contracts of insurance (which expression includes all entries of that Vessel in a protection and indemnity or war risks association) which are from time to time during the Facility Period in place or taken out or entered into by or for the benefit of its Owner (whether in the sole name of the Owner, or in the joint names of that Owner and the Mortgagee or otherwise) in respect of that Vessel or otherwise howsoever in connection with that Vessel and all benefits thereof (including claims of whatsoever nature and return of premiums);

"**Interest Payment Date**" means the last day of an Interest Period and, if an Interest Period is longer than three (3) months, the date falling at the end of each successive period of three (3) months from the start of such Interest Period;

"**Interest Period**" means each period for the calculation of interest in respect of the Loan ascertained in accordance with clauses 3.2 *(Selection of Interest Periods)* and 3.3 (*Determination of Interest Periods*);

"**Interpolated Term SOFR**" means, in relation to the Loan or any part of the Loan, the rate (rounded to the same number of decimal places as Term SOFR) which results from interpolating on a linear basis between:

(a) the applicable Term SOFR for the longest period (for which Term SOFR is available) which is less than the Interest Period of the Loan or that part of the Loan; and

(b) the applicable Term SOFR for the shortest period (for which Term SOFR is available) which exceeds the Interest Period of the Loan or that part of the Loan;

"**ISM Code**" means in relation to its application to the Borrowers, the Vessels and their operation:

(a) the International Management Code for the Safe Operation of Ships and for Pollution Prevention', currently known or referred to as the 'ISM Code', adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4 December 1993 and incorporated on 19 May 1994 into Chapter IX of the International Convention for Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including, without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25 December 1995,

as the same may be amended, supplemented or replaced from time to time;

"**ISM Code Documentation**" means, in relation to a Mortgaged Vessel, the document of compliance (DOC) and safety management certificate (SMC) issued by a Classification Society pursuant to the ISM Code in relation to that Mortgaged Vessel within the periods specified by the ISM Code;

"**ISM SMS**" means the safety management system which is required to be developed, implemented and maintained under the ISM Code;

"**ISPS Code**" means the International Ship and Port Security Code of the International Maritime Organisation and includes any amendments or extensions thereto and any regulations issued pursuant thereto;

"**ISSC**" means an International Ship Security Certificate issued in respect of a Mortgaged Vessel pursuant to the ISPS Code;

"**Latest Accounts**" means, in respect of any fiscal year of the Corporate Guarantor, the latest annual audited consolidated accounts of the Corporate Guarantor required to be prepared pursuant to clause 8.1.6;

"**Lender**" means Piraeus Bank S.A. having its registered office at 4 Amerikis Street, 105 64 Athens, Greece, acting through its branch at 170 Alexandras Ave., 115 21 Athens, Greece (fax no. +30 210 373 9783);

"**Lightweight**" means the lightweight tonnage of a Vessel as provided in (i) such Vessel's capacity plan or (ii) at the Lender's discretion a Vessel's trim and stability booklet;

"**Loan**" means the aggregate principal amount in respect of the Loan Facility owing to the Lender under this Agreement at any relevant time;

"**Loan Facility**" means the loan facility provided by the Lender on the terms and subject to the conditions of this Agreement in an amount not exceeding the aggregate amounts of Advance A and Advance B;

"**Management Agreement**" means, in respect of each Mortgaged Vessel, the agreement between the relevant Owner and the Manager, in a form approved by the Lender, and in the plural means all of them;

"**Manager**" means Eurobulk Ltd., a corporation incorporated in Liberia with its registered address at 80 Broad Street, Monrovia, Liberia and having its place of business at 4 Messogiou & Evropis Street, 151 24 Maroussi, Greece, or any other commercial and/or technical manager appointed by the relevant Owner, with the prior written consent of the Lender, as the manager of the relevant Vessel;

"**Manager's Undertaking**" means, in respect of each Mortgaged Vessel, the undertaking and assignment of insurances required to be executed hereunder by the Manager in favour of the Lender in such form as the Lender may require and in the plural means all of them;

"**Margin**" means 2.25% (two point twenty five per cent) per annum as the same may be reduced by the Sustainability Pricing Adjustment in accordance with Clause 3.13 (*Sustainability Pricing Adjustment*);

"**Market Disruption Rate**" means the percentage rate per annum which is the aggregate of the Reference Rate and the applicable Credit Adjustment Spread;

"**Master Agreement**" means an 2002 ISDA Master Agreement (including the Schedule thereto) made or to be made between the Lender and the Borrowers;

"**Master Agreement Security Deed**" means the security deed in respect of the Master Agreement executed or to be executed by the Borrowers in favour of the Lender in such form as the Lender may require in its sole discretion;

"**Material Adverse Effect**" means a material adverse effect on (i) the Lender's rights under, or the security provided by, any Security Document, (ii) the ability of any Security Party to perform or comply with any of its obligations under any Security Document to which it is a party or (iii) the value or nature of the financial condition of any Security Party (other than the Manager);

"**Maturity Date**" means the date falling 5 years after the simultaneous Drawdown Date in respect of Advance A and Advance B;

"**MII & MAP Policy**" means a mortgagee's interest and (if required by the Lender) pollution risks insurance policy (including, but not limited to, additional perils (pollution) cover) in respect of each Mortgaged Vessel to be effected by the Lender on or before the relevant Drawdown Date to cover the Mortgaged Vessel as the same may be renewed or replaced annually thereafter and maintained throughout the Facility Period through such brokers, with such underwriters and containing such coverage as may be acceptable to the Lender in its sole discretion, insuring an aggregate sum of at least one hundred and ten per cent (110%) of the aggregate of the Loan and the Swap Exposure in respect of mortgagee's interest insurance and one hundred and ten per cent (110%) of the aggregate of the Loan and the Swap Exposure in respect of additional perils (pollution) cover, each determined as at the date such insurances are effected or, as the case may be, renewed;

"**month**" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (a) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month and (b) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no the Banking Day it shall end on the preceding Banking Day and "months" and "**monthly**" shall be construed accordingly;

"**Mortgage**" means in relation to each of Vessel A and Vessel B, the first preferred or, as the case may be, priority ship mortgage over such Vessel required to be executed hereunder by the Owner thereof, each of which to be in such form as the Lender may require in its sole discretion, and in the plural means both of them;

"**Mortgaged Vessel**" means, at any relevant time, a Vessel which is at such time subject to a Mortgage and/or the Earnings, Insurances and Requisition Compensation of which are subject to an Encumbrance pursuant to the relevant Ship Security Documents and a Vessel shall, for the purposes of this Agreement, be regarded as a Mortgaged Vessel as from the date on which the Mortgage of that Vessel has been executed and registered in accordance with this Agreement until whichever shall be the earlier of (i) the payment in full of the amount required to be paid to the Lender pursuant to clause 4.3 or 4.4 following the Total Loss or sale respectively of such Vessel and (ii) the end of the Facility Period;

"NASDAQ" means the stock exchange run by the US National Association of Securities Dealers with the main exchange located in the United States of America, originally an acronym for the National Association of Securities Dealers Automatic Quotations;

"Net Worth" means by reference to the Latest Accounts, the Total Assets less Total Liabilities of the Group;

"Operator" means any person who is from time to time during the Facility Period concerned in the operation of a Relevant Ship and falls within the definition of "Company" set out in rule 1.1.2 of the ISM Code;

"Owner" means, in respect of each Vessel, the Borrower which is the owner thereof;

"Permitted Encumbrance" means any Encumbrance in favour of the Lender created pursuant to the Security Documents any Encumbrance created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses while the Borrowers or any of them are actively prosecuting or defending such proceedings or arbitration in good faith; Encumbrances arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made and Permitted Liens;

"Permitted Liens" means any lien on either Mortgaged Vessel for master's, officer's or crew's wages outstanding in the ordinary course of trading, any lien for salvage and any ship repairer's or outfitter's possessory lien for a sum not (except with the prior written consent of the Lender) exceeding the Casualty Amount any lien arising in the ordinary course of trading by statute or by operation of law in respect of obligations which are not overdue (and while such obligations are not overdue) or which are being contested in good faith by bona fide and appropriate proceedings (and for the payment of which adequate, freely-available reserves have been provided) unless such proceedings or the continued existence of such lien makes likely the sale, forfeiture or loss of, or of any interest in, either Mortgaged Vessel, and liens securing liabilities for Taxes against which adequate, freely-available reserves have been provided;

"Pertinent Jurisdiction" means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment or assets, carries on, or has a place of business or is otherwise howsoever effectively connected;

"Proceedings" means any litigation, arbitration, legal action or complaint or judicial, quasi-judicial or administrative proceedings whatsoever arising or instigated by anyone (private or governmental) in any court, tribunal, public office or other forum whatsoever and wheresoever (including, without limitation, any action for provisional or permanent attachment of any thing or for injunctive remedies or interim relief and any action instigated on an ex parte basis);

"**Published Rate**" means the Term SOFR for any Quoted Tenor;

"Published Rate Replacement Event" means, in relation to a Published Rate:

(a) the methodology, formula or other means of determining that Published Rate has, in the opinion of the Lender and the Borrower, materially changed;

(b) (i)

(A) the administrator of that Published Rate or its supervisor publicly announces that such administrator is insolvent; or

(B) information is published in any order, decree, notice, petition or filing, however described, or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of that Published Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Published Rate;

(ii) the administrator of that Published Rate publicly announces that it has ceased or will cease, to provide that Published Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Published Rate;

(iii) the supervisor of the administrator of that Published Rate publicly announces that such Published Rate has been or will be permanently or indefinitely discontinued; or

(iv) the administrator of that Published Rate or its supervisor announces that that Published Rate may no longer be used; or

(c) in the opinion of the Lender and the Borrower, that Published Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement;

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined, two (2) US Government Securities Business Days before the first day of that period (unless market practice differs in the relevant loan market, in which case the Quotation Day will be determined by the Lender in accordance with that market practice (and if quotations would normally be given on more than one day, the Quotation Day will be the last of those days);

"**Quoted Tenor**" means, in relation to Term SOFR, any period for which that rate is customarily displayed on the relevant page or screen of an information service;

"Reference Rate" means, in relation to the Loan or any part of the Loan:

(a) the applicable Term SOFR as of the Quotation Day and for a period equal in length to the Interest Period of the Loan or that part of the Loan; or

(b) as otherwise determined pursuant to Clause 3.5 (*Unavailability of Term SOFR*), and if, in either case, the aggregate of that rate and the Credit Adjustment Spread is less than zero, the Reference Rate shall be deemed to be such a rate that the aggregate of the Reference Rate and the Credit Adjustment Spread is zero;

“**Registry**” means, in relation to each Vessel, the office of the registrar, commissioner or representative of the Flag State, who is duly empowered to register such Vessel, the relevant Owner’s title thereto and the relevant Mortgage under the laws and flag of the Flag State;

“**Relevant Advance**” means, in respect of Vessel A, Advance A and in respect of Vessel B, Advance B;

“**Relevant Ship**” means each of the Mortgaged Vessels and any other ship from time to time (whether before or after the date of this Agreement) owned by any Group Member;

“**Relevant Nominating Body**” means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board;

“**Repayment Date**” means the date on which any instalment of an Advance is repayable under the provisions of clause 4.1.1;

“**Repayment Instalment**” means in respect of each Advance, each of the repayment instalments (including the relevant Balloon Instalment) falling due under and in accordance with clause 4.1.1, as the same may be reduced in accordance with this Agreement;

“**Replacement Reference Rate**” means a reference rate which is:

(a) formally designated, nominated or recommended as the replacement for a Published Rate by:

   (i) the administrator of that Published Rate (provided that the market or economic reality that such reference rate measures is the same as that measured by that Published Rate); or

   (ii) any Relevant Nominating Body,

   and if replacements have, at the relevant time, been formally designated, nominated or recommended under both paragraphs, the “**Replacement Reference Rate**” will be the replacement under paragraph (ii) above;

(b) if paragraph (a) does not apply, in the opinion of the Lender and the Borrower, generally accepted in the international or any relevant domestic loan markets as the appropriate successor to a Published Rate; or

(c) if paragraphs (a) and (b) do not apply, in the opinion of the Lender and the Borrower, an appropriate successor to a Published Rate;

Required Authorisation" means any authorisation, consent, declaration, licence, permit, exemption, approval or other document, whether imposed by or arising in connection with any law, regulation, custom, contract, security or otherwise howsoever which must be obtained at any time from any person, Government Entity, central bank or other self-regulating or supra-national authority in order to enable the Borrowers lawfully to borrow the Loan or an Advance (or any part thereof) and/or to enable any Security Party lawfully and continuously to continue its corporate existence and/or perform all its obligations whatsoever whensoever arising and/or grant security under the relevant Security Documents and/or to ensure the continuous validity and enforceability thereof;

"Required Security Amount" means the amount in USD (as certified by the Lender) which is at any relevant time one hundred and twenty five per cent (125%) of the aggregate of the Loan and the Swap Exposure;

"Requisition Compensation" means, in respect of a Vessel, all moneys or other compensation from time to time payable during the Facility Period by reason of Compulsory Acquisition of that Vessel;

"Resolution Authority" means any body which has authority to exercise any Write-down and Conversion Powers;

"Restricted Person" means a person that is:

(i) listed on, or directly or indirectly owned or controlled (as such terms are defined by the relevant Sanctions Authority) by a person listed on, any Sanctions List;

(ii) located in, incorporated under the laws of, or owned or controlled by, or acting on behalf of, a person located in or organised under the laws of, a country or territory that is the target of country or territory-wide Sanctions ("**Sanctions Restricted Jurisdiction**"); or

(iii) otherwise a target of Sanctions;

"Safekeeping Securities Account" means the account opened or to be opened by the Lender with the Shipping Branch located at 137-139 Filonos Street, Piraeus, Greece Lending Office for the safekeeping of the shares held by the Lender in the issued share capital of the Borrower and which shall be pledged in favour of the Lender pursuant to the Shares Pledge;

"Sanctions" means any economic, financial or trade sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

(a) the United States government;

(b) the United Nations;

(c) the European Union or any of its Member States;

(d) the United Kingdom;

(e) any country to which any Security Party or any other member of the Group or any affiliate of any of them is bound; or

(f) the respective governmental institutions and agencies of any of the foregoing, including without limitation, the Sanctions Authorities.

"Sanctions Authorities" means together, the United States Department of State, HMT and OFAC and in the singular means each of them;

"Sanctions List" means the "Specially Designated Nationals and Blocked Persons" list issued by OFAC, the "Consolidated List of Financial Sanctions Targets in the UK" issued by HMT, or any similar list issued or maintained or made public by any of the Sanctions Authorities;

"Sanctions Restricted Jurisdiction" means a country or territory that is the target of country or territory -wide Sanctions;

"Security Documents" means this Agreement, the Master Agreement, the Master Agreement Security Deed, the Mortgages, the Corporate Guarantee, the General Assignments, any Charter Assignments, the Earnings Account Pledges, the Shares Pledges, the Manager's Undertakings, any Tripartite Deed and any other documents as may have been or shall from time to time after the date of this Agreement be executed to guarantee and/or to govern and/or secure all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrowers pursuant to this Agreement and/or the Master Agreement (whether or not any such document also secures moneys from time to time owing pursuant to any other document or agreement);

"Security Party" means the Borrowers, the Corporate Guarantor, the Manager or any other person who may at any time be a party to any of the Security Documents (other than the Lender);

"Security Value" means the amount in USD (as certified by the Lender) which is, at any relevant time, the aggregate of (a) the Valuation Amounts of the Mortgaged Vessels, as most recently determined in accordance with clause 8.2.2 hereof, and (b) the net realizable market value of any additional security for the time being actually provided to the Lender pursuant to clause 8.2.1(b), it being agreed however that in case of additional security in the form of cash in Dollars, the same will be valued on a Dollar for Dollar basis;

"Shares Pledge" means the pledge of the shares of and in each Borrower to be executed by the Corporate Guarantor in favour of the Lender, to be in such form as the Lender may require in its sole discretion, and in the plural means both of them;

"Ship Security Documents" means in relation to each Mortgaged Vessel, the relevant Mortgage, the relevant General Assignment, any relevant Charter Assignment, any relevant Tripartite Deed and the relevant Manager's Undertaking;

"**SOFR**" means the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate);

"Subsidiary" of a person means any company or entity directly or indirectly controlled by such person, and for this purpose "control" means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity or the power to direct its policies and management, whether by contract or otherwise;

"Swap Exposure" means, as at any relevant date the amount certified by the Swap Bank to be the aggregate net amount in Dollars which would be payable by the Borrower to the Swap Bank under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date (as therein defined) had occurred on the relevant date in relation to all continuing Transactions (as therein defined) entered into between the Borrower and the Swap Bank;

"Taxes" includes all present and future income, corporation, capital or value-added taxes and all stamp and other taxes and levies, imposts, deductions, duties, charges and withholdings whatsoever together with interest thereon and penalties in respect thereto, if any, and charges, fees or other amounts made on or in respect thereof (and "Taxation" shall be construed accordingly);

"Term SOFR" means the term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant period published by CME Group Benchmark Administration Limited (or any other person which takes over the publication of that rate);

"Total Assets" and "**Total Liabilities**" mean, respectively, the total assets and total liabilities of the Group as evidenced at any relevant time by the Latest Accounts, in which they shall have been calculated by reference to the meanings assigned to them in accordance with International Financial Reporting Standards or US GAAP provided that the value of any ship shall be the market value thereof calculated in accordance with clause 8.2.5(i) and not as set out in the Latest Accounts;

"Total Commitment" means, at any relevant time, the aggregate of the Commitments of the Lender at such time;

"Total Loss" means, in relation to a Mortgaged Vessel:

(i) the actual, constructive, compromised or arranged total loss of such Mortgaged Vessel; or

(ii) Compulsory Acquisition; or

(iii) any hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of such Mortgaged Vessel not falling within the definition of Compulsory Acquisition, unless the Mortgaged Vessel be released and restored to the relevant Owner within sixty (60) days after such incident;

"Transaction" means a Transaction as defined in the Master Agreement;

“Tripartite Deed” means, if a Vessel is subject to a bareboat charter, a deed containing (inter alia) an assignment of the relevant charterer’s interest in the insurances of that Vessel, required to be executed by the Borrower who is the owner thereof and the relevant charterer in favour of the Lender in such form as the Lender may require in its sole discretion and the relevant charterer may agree;

“UK Bail-In Legislation” means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings);

“Underlying Documents” means, together, any Extended Employment Contracts and the Management Agreements;

“Unlawfulness” means any event or circumstance which is the subject of a notification by the Lender to the Borrowers under clause 12.1;

"**US Government Securities Business Day**" means any day other than:

(a) a Saturday or a Sunday; and

(b) a day on which the Securities Industry and Financial Markets Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US Government securities;

“USA” means the United States of America;

"**US Tax Obligor**" means:

(a) a Borrower if it is resident for tax purposes in the USA; or

(b) a Security Party some or all of whose payments under the Security Documents are from sources within the USA for US federal income tax purposes;

“Valuation Amount” means, in respect of each Vessel, the value thereof most recently determined under Clause 8.2.2 *(Valuation of Vessels)*;

“Vessel A” means the 2014-built bulk carrier vessel of 57,900 dwt and 9,681 ldt registered in the name of Borrower A under the Marshall Islands flag with the name “MOLYVOS LUCK”;

“Vessel B” means the 2005-built bulk carrier vessel of 76,400 dwt and 10,310 ldt registered in the name of Borrower B under the Liberian flag with the name “SANTA CRUZ”;

“Vessels” means, together, Vessel A and Vessel B, and in the singular means each of them; and

”Write-down and Conversion Powers” means:

(a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule;

(b) in relation to any other applicable Bail-In Legislation other than the UK Bail-In Legislation:

(i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that Bail-In Legislation; and

(c) in relation to the UK Bail-In Legislation, any powers under the UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers.

1.3 **Construction**

In this Agreement, unless the context otherwise requires:

1.3.1 references to the Lender's “cost of funds” in relation to the Loan or any part of the Loan is a reference to the average cost (determined either on an actual or a notional basis) which the Lender would incur if it were to fund, from whatever source(s) it may reasonably select, an amount equal to the amount of the Loan or that part of the Loan for a period equal in length to the Interest Period of the Loan or that part of the Loan;

1.3.2 clause headings and the index are inserted for convenience of reference only and shall be ignored in the construction of this Agreement;

1.3.3 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules and any supplemental agreements executed pursuant hereto;

1.3.4 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as duly amended and/or supplemented and/or novated;

1.3.5 references to a “regulation” include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any Government Entity, central bank or any self-regulatory or other supra-national authority;

1.3.6 references to any person in or party to this Agreement shall include reference to such person’s lawful successors and assigns and references to the Lender shall also include a Transferee Lender;

1.3.7 words importing the plural shall include the singular and vice versa;

1.3.8 references to a time of day are, unless otherwise stated, to Athens time;

1.3.9 references to a person shall be construed as references to an individual, firm, company, corporation or unincorporated body of persons or any Government Entity;

1.3.10 references to a “guarantee” include references to an indemnity or any other kind of assurance whatsoever (including, without limitation, any kind of negotiable instrument, bill or note) against financial loss or other liability including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and “guaranteed” shall be construed accordingly;

1.3.11 references to any statute or other legislative provision are to be construed as references to any such statute or other legislative provision as the same may be re enacted or modified or substituted by any subsequent statute or legislative provision (whether before or after the date hereof) and shall include any regulations, orders, instruments or other subordinate legislation issued or made under such statute or legislative provision;

1.3.12 a certificate by the Lender as to any amount due or calculation made or any matter whatsoever determined in connection with this Agreement shall be conclusive and binding on the Borrowers except for manifest error;

1.3.13 if any document, term or other matter or thing is required to be approved, agreed or consented to by the Lender such approval, agreement or consent must be obtained in writing unless the contrary is stated;

1.3.14 time shall be of the essence in respect of all obligations whatsoever of the Borrowers under this Agreement, howsoever and whensoever arising; and

1.3.15 the words “other” and “otherwise” shall not be construed eiusdem generis with any foregoing words where a wider construction is possible.

1.4 **References to currencies**

Currencies are referred to in this Agreement by the three letter currency codes (ISO 4217) allocated to them by the International Organisation for Standardisation.

1.5 **Contracts (Rights of Third Parties Act) 1999**

Except for clause 18, no part of this Agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

2 THE COMMITMENT AND CANCELLATION

2.1 Agreement to lend

The Lender, relying upon each of the representations and warranties in clause 7, agrees to make available to the Borrowers upon and subject to the terms of this Agreement, the Loan Facility in two advances to be drawn simultaneously for the purposes of enabling the Borrowers to partially refinance the acquisition cost of the Vessels.

2.2 Drawdown

2.2.1 Subject to the terms and conditions of this Agreement, each Advance shall be made available to the Borrower following receipt by the Lender from the Borrowers of a Drawdown Notice not later than 10:00 a.m. on the third Banking Day before the date, which shall be a Banking Day falling within the Drawdown Period, on which the Borrowers propose that Advance is made available.

2.2.2 A Drawdown Notice shall be effective on actual receipt by the Lender and, once given, shall, subject as provided in clause 3.5, be irrevocable.

2.3 Limitation and application of Advances

2.3.1 The amount of the Loan shall not exceed the amount of the Loan Facility.

2.3.2 The principal amount specified in a Drawdown Notice for borrowing on the relevant Drawdown Date shall, subject to the terms of this Agreement, not exceed:

(a) in respect of Advance A, an amount equal to the least of (i) twelve million eight hundred fifty thousand Dollars (USD12,850,000) and (ii) 60% of the Valuation Amount of Vessel A (to be determined no more than 20 days prior to the relevant Drawdown Date), to be made available by the Lender to the Borrowers and be applied in or towards partly refinancing the acquisition cost of Vessel A;

(b) in respect of Advance B, an amount equal to the least of (i) seven million one hundred fifty thousand Dollars (USD7,150,000) and (ii) 60% of the Valuation Amount of Vessel B (to be determined no more than 20 days prior to the relevant Drawdown Date), to be made available by the Lender to the Borrowers and be applied in or towards refinancing the acquisition cost of Vessel B;

2.3.3 Each Advance shall be paid forthwith upon drawdown to such account as the Borrowers shall stipulate in the relevant Drawdown Notice.

2.4 Availability

2.4.1 The Borrowers acknowledge that payment of an Advance referred to in clause 2.3.2 to the account or accounts specified in the relevant Drawdown Notice shall satisfy the obligation of the Lender to lend that Advance to the Borrowers under this Agreement.

2.5 Cancellation in changed circumstances

2.5.1 The Borrowers may at any time during the Facility Period by notice to the Lender (effective only on actual receipt) cancel with effect from a date not less than ten (10) Banking Days after receipt by the Lender of such notice, all or part of the undrawn Total Commitment.

2.5.2 The Borrowers may also at any time during the Facility Period by notice to the Lender (effective only on actual receipt) prepay and/or cancel with effect from a date not less than ten (10) Banking Days after receipt by the Lender of such notice, the whole but not part only, but without prejudice to the Borrowers' obligations under clauses 3.5, 3.6, 6.6 and 12, of the Commitment (if any). Upon any notice of such prepayment and cancellation being given, the Commitment shall be reduced to zero, the Borrowers shall be obliged to prepay the Loan and the Lender's related costs (including but not limited to Break Costs, if any) on such date, but always without any premium or penalty if such prepayment is effected on the next Interest Payment Date, and the Lender shall be under no obligation to make available the Loan or any further Advance (or any part thereof).

2.6 **Use of proceeds**

2.6.1 Without prejudice to the Borrowers' obligations under clause 8.1.4, the Lender shall not have any responsibility for the application of the proceeds of either Advance or any part thereof by the Borrowers.

2.6.2 The Borrowers shall not, and shall procure that each Security Party and each other Group Member and any Subsidiary of any of them shall not, permit or authorise any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Loan or other transactions contemplated by this Agreement to fund or facilitate trade, business or other activities: (i) involving or for the benefit of any Restricted Person; or (ii) in any other manner that could result in a Borrower or any other Security Party being in breach of any Sanctions or becoming a Restricted Person.

2.6.3 The Borrowers shall not use any part of the proceeds of the Loan for the purposes of acquiring shares in the share capital of the Lender or other banks and/or financial institutions or acquiring hybrid capital debentures (τίτλους υβριδικών κεφαλαίων) of the Lender or other banks and/or financial institutions.

3 INTEREST AND INTEREST PERIODS

3.1 **Normal interest rate**

The Borrowers must pay interest on each Advance in respect of each Interest Period relating thereto on each Interest Payment Date at the rate per annum determined by the Lender to be the aggregate of (a) the Margin in respect thereof, (b) the Reference Rate for such period and (c) the applicable Credit Adjustment Spread.

3.2 **Selection of Interest Periods**

Subject to clause 3.3, the Borrowers may by notice received by the Lender not later than 10:00 a.m. on the second Banking Day before the beginning of each Interest Period specify whether such Interest Period shall have a duration of one (1), three (3) or six (6) months or such other period as the Borrower may select and the Lender may agree.

3.3 **Determination of Interest Periods**

Subject to clause 3.3.1 every Interest Period shall be of the duration specified by the Borrower pursuant to clause 3.2 *(Selection of Interest Periods)* but so that:

3.3.1 the first Interest Period in respect of the first Advance to be made hereunder shall start on the Drawdown Date in respect thereof, and each subsequent Interest Period relating to the first Advance shall start on the last day of the previous Interest Period;

3.3.2 the first Interest Period in respect of the second Advance to be made hereunder shall commence on its Drawdown Date and terminate simultaneously with the Interest Period which is then current for first Advance and each subsequent Interest Period shall start on the last day of the previous Interest Period;

3.3.3 if any Interest Period would otherwise overrun a Repayment Date, then, in the case of the last Interest Period, such Interest Period shall end on the Maturity Date, and in the case of any other Interest Period, the Loan shall be divided into parts so that there is one part in the amount of the Repayment Instalment due on such Repayment Date and having an Interest Period ending on the relevant Repayment Date and another part in the amount of the balance of the Loan having an Interest Period ascertained in accordance with clause 3.2 and the other provisions of this clause 3.3;

3.3.4 the Borrowers may not select different Interest Periods for each Advance, and any Interest Period selected by the Borrowers shall apply to both Advances; and

3.3.5 if the Borrower fails to specify the duration of an Interest Period in accordance with the provisions of clause 3.2 and this clause 3.3, such Interest Period shall have a duration of three (3) months or such other period as shall comply with this clause 3.3.

3.4 **Default interest**

3.4.1 If the Borrowers fail to pay any sum (including, without limitation, any sum payable pursuant to this clause 3.4) on its due date for payment under any of the Security Documents, the Borrowers must pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Lender pursuant to this clause 3.4.

3.4.2 The period starting on such due date and ending on such date of payment shall be divided into successive periods selected by the Lender each of which (other than the first, which shall start on such due date) shall start on the last day of the preceding such period.

3.4.3 The rate of interest applicable to each such period shall be the aggregate (as determined by the Lender) of (a) two per cent (*2*%) per annum, (b) the Margin, (c) the Reference Rate for such periods and (d) the applicable Credit Adjustment Spread.

3.4.4 Such interest shall be due and payable on demand, or, if no demand is made, then on the last day of each such period as determined by the Lender and on the day on which all amounts in respect of which interest is being paid under this clause are paid, and each such day shall, for the purposes of this Agreement, be treated as an Interest Payment Date, provided that if such unpaid sum is an amount of principal which became due and payable by reason of a declaration by the Lender under clause 10.2.2 or a prepayment pursuant to clauses 4.3, 4.4, 8.2.1(a) or 12.1, on a date other than an Interest Payment Date relating thereto, the first such period selected by the Lender shall be of a duration equal to the period between the due date of such principal sum and such Interest Payment Date and interest shall be payable on such principal sum during such period at a rate of two per cent (*2*%) above the rate applicable thereto immediately before it shall have become so due and payable.

3.4.5 If, for the reasons specified in clause 3.5.1, the Lender is unable to determine a rate in accordance with the foregoing provisions of this clause 3.4, interest on any sum not paid on its due date for payment shall be calculated at a rate determined by the Lender to be two per cent (*2*%) per annum above the aggregate of the Margin and the cost of funds to the Lender compounded at such intervals as the Lender selects.

3.5 **Unavailability of Term SOFR**.

3.5.1 *Interpolated Term SOFR*: If no Term SOFR is available for the Interest Period of the Loan or any part of the Loan, the applicable Reference Rate shall be the Interpolated Term SOFR for a period equal in length to the Interest Period of the Loan or that part of the Loan.

3.5.2 *Cost of funds*: If clause 3.5.1 applies but it is not possible to calculate the Interpolated Term SOFR, there shall be no Reference Rate for the Loan or that part of the Loan (as applicable) and Clause 3.7 (*Cost of funds*) shall apply to the Loan or that part of the Loan for that Interest Period.

3.6 **Market disruption**.

If before close of business in Athens on the Quotation Day for the relevant Interest Period the Lender determines that its cost of funds relating to the Loan or any part of the Loan would be in excess of the Market Disruption Rate then Clause 3.7 (*Cost of funds*) shall apply to the Loan or that part of the Loan (as applicable) for the relevant Interest Period.

3.7 **Cost of funds**

3.7.1 If this Clause 3.7 (*Cost of funds*) applies, the rate of interest on the Loan or the relevant part of the Loan for the relevant Interest Period shall be the percentage rate per annum which is the sum of:

(a) the Margin; and

(b) the rate notified to the Borrowers by the Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period to be that which expresses as a percentage rate per annum its cost of funds relating to the Loan or that part of the Loan.

3.7.2 If this Clause 3.7 (*Cost of funds*) applies and the Lender or the Borrowers so require, the Lender and the Borrowers shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest or (as the case may be) an alternative basis for funding.

3.7.3 Subject to Clause 3.11 (*Changes to reference rates*), any substitute or alternative basis agreed pursuant to Clause 3.7.2 shall be binding on all parties hereto.

3.7.4 If any rate notified to the Lender under Clause 3.7.1(b) is less than zero, the relevant rate shall be deemed to be zero.

3.7.5 If this Clause 3.7 (*Cost of funds*) applies, the Lender shall, as soon as practicable, notify the Borrowers.

3.8 **Notice of prepayment**

If the Borrowers do not agree with an interest rate set by the Lender under Clause 3.7 *(Cost of funds)*, the Borrowers may give the Lender not less than 5 Banking Days' notice of its intention to prepay the Loan at the end of the interest period set by the Lender.

3.9 **Prepayment; termination of Commitment**

A notice under Clause 3.8 *(Notice of prepayment)* shall be irrevocable; and on the last Banking Day of the interest period set by the Lender the Borrowers shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the Margin and the balance of all other amounts payable under this Agreement and the other Security Documents or, if the Commitment has not been advanced, the Commitment shall be reduced to zero and the Loan shall not be made to the Borrowers under this Agreement thereafter.

3.10 **Application of prepayment**

The provisions of Clause 4 *(Repayment and Prepayment)* shall apply in relation to the prepayment made hereunder.

3.11 **Changes to reference rates**

If a Published Rate Replacement Event has occurred in relation to any Published Rate for dollars, any amendment or waiver which relates to:

(i) providing for the use of a Replacement Reference Rate in place of that Published Rate; and

(ii)

(A) aligning any provision of any Security Document to the use of that Replacement Reference Rate;

(B) enabling that Replacement Reference Rate to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Reference Rate to be used for the purposes of this Agreement);

(C) implementing market conventions applicable to that Replacement Reference Rate;

(D) providing for appropriate fallback (and market disruption) provisions for that Replacement Reference Rate; or

(E) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one party hereto to another as a result of the application of that Replacement Reference Rate (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation), may be made with the consent of the Lender and the Borrowers.

3.12 **Interest Rate Swaps**

The Borrowers may enter into fixed interest rate swaps under the Master Agreement on terms acceptable to the Lender in respect of each Advance.

3.13 **Sustainability Pricing Adjustment**

3.13.1The Borrowers or the Corporate Guarantor shall provide the Lender with a Sustainability Certificate for each Vessel within 90 (ninety) days of the end of each Sustainability Period for that Vessel, providing the relevant calculations for such Sustainability Period. Failure to provide such Sustainability Certificate shall not constitute a Default or an Event of Default.

3.13.2On the first day of each Pricing Adjustment Period, the Margin (initially of 2.25% per annum) applicable to the relevant Advance shall be reduced by:

*0.10% (zero point ten percent) per annum, in case the respective Vessel's AER (as per the relevant Sustainability Certificate triggering such Pricing Adjustment Period, and rounded to two decimal places), compared to the respective Vessel's AER for the Sustainability Period ending on 31 December 2022 (the "**Base AER**") is lower by at least the relevant Reduction Threshold,*

and shall remain reduced for the whole duration of such Pricing Adjustment Period (the "**Sustainability Pricing Adjustment**").

13.3.3At the expiry of a Pricing Adjustment Period, the Margin applicable to the relevant Advance shall revert to 2.25% per annum.

13.3.4The Sustainability Pricing Adjustment applicable to an Advance shall at no time exceed 0.10% per annum for the duration of the Facility Period and shall not be reduced further during a subsequent Pricing Adjustment Period.

13.3.5If an Event of Default occurs, the Sustainability Pricing Adjustment shall no longer apply and the original Margin (of 2.25% per annum) shall apply in respect of all the Advances.

13.3.6In this clause:

"AER" means, in relation to a Vessel, the efficiency ratio of that Vessel using the parameters of fuel consumption, distance travelled and deadweight at maximum summer draught, reported in unit grams of CO_2 per ton per mile and calculated as follows:

$$AER = \frac{\sum_i C_i}{\sum_i dwt D_i}$$

where:

(a) Ci is based on fuel consumption multiplied by the relevant CO2 factor per departure voyage ;

(b) dwt is the deadweight at maximum summer draught of such Vessel;

(c) Di is the distance travelled on the voyage; and

(d) such calculation is based on all voyages performed by that Vessel during a Sustainability Period.

"**Pricing Adjustment Period**" means, in relation to an Advance, the period commencing on the first day of the Interest Period after a Sustainability Certificate related to the relevant Vessel (other than the Base AER) has been delivered to the Lender and ending on the first anniversary thereof **Provided that** the last such period may last only few months as it will reach the Final Maturity Date;

"**Reduction Threshold**" means:

(a) 2.0% (two percent) for the Sustainability Period commencing on 1 January 2023 and ending on 31st December 2023,

(b) 4.0% (four percent) for the Sustainability Period commencing on 1 January 2024 and ending on 31 December 2024,

(c) 6.0% (six percent) for the Sustainability Period commencing on 1 January 2025 and ending on 31 December 2025, and

(d) 8.0% (eight percent) for the Sustainability Period commencing on 1 January 2026 and ending on 31 December 2026.

"**Sustainability Certificate**" means a certificate in the form set out in Schedule 4 (*Form of Sustainability Performance Certificate*) signed by a director of each Borrower or the Chief Executive Officer or Chief Financial Officer of the Corporate Guarantor, that shows the calculation of the respective Vessel's AER and sets forth the Sustainability Pricing Adjustment, certified by the approved classification society or other competent authority in respect of each Vessel.

"**Sustainability Period**" means, in respect of a Vessel, the period commencing on the later of (i) 1 January 2022 and (ii) the day such Vessel came under the management of the Manager, and ending on 31 December 2022, and each subsequent 12-month period thereafter.

4 REPAYMENT AND PREPAYMENT

4.1 Repayment

4.1.1 Subject to any obligation to pay earlier under this Agreement, the Borrowers must repay:

(a) Advance A by:

(i) twenty (20) consecutive quarterly instalments, the first four (4) in the amount of USD525,000 each and the next sixteen (16) in the amount of USD250,000 each; and

(ii) an instalment (the "**Balloon Instalment A**") of USD6,750,000; and

(b) Advance B by:

(i) twenty (20) consecutive quarterly instalments, the first four (4) in the amount of USD450,000 each and the next sixteen (16) in the amount of USD275,000 each; and

(ii) an instalment (the "**Balloon Instalment B**" and together with the Balloon Instalment A, the "**Balloon Instalments**") of USD950,000,

with the first repayment instalment in respect of an Advance falling due 3 months after the simultaneous Drawdown Date and the relevant subsequent instalments falling due at quarterly intervals thereafter, with the relevant final instalment in respect of an Advance falling due on the Maturity Date and the relevant Balloon Instalment being repayable together with the final such instalment.

4.1.2 If less than the full amount of an Advance is drawn down, the amount of each Repayment Instalment (including the Balloon Instalment) relating to that Advance shall be reduced pro rata by the amount of, in aggregate, such undrawn amount.

4.1.3 The Borrowers shall on the Maturity Date also pay to the Lender all other amounts in respect of interest or otherwise then due and payable under this Agreement and the Security Documents.

4.2 **Voluntary prepayment**

Subject to clauses 4.3, 4.4, 4.5 and 4.6, the Borrowers may, subject to having given 15 days' prior written notice thereof to the Lender, prepay any specified amount (such part being in an amount of one hundred thousand Dollars (USD100,000) or any larger sum which is an integral multiple of such amount) of the Loan on any relevant Interest Payment Date without premium or penalty.

4.3 **Mandatory Prepayment on Total Loss**

On the date falling one hundred and eighty (180) days after that on which a Mortgaged Vessel became a Total Loss or, if earlier, on the date upon which the relevant insurance proceeds are, or Requisition Compensation is, received by the Borrower which is the owner thereof (or the Lender pursuant to the Security Documents) such Borrower must prepay the Loan by an amount equal to the greater of:

(a) the Relevant Advance; and

(b) such amount as would be required to ensure that the aggregate amount of the Loan and the Swap Exposure after such prepayment is no more than seventy per cent (70%) of the remaining Mortgaged Vessel's Valuation Amount.

4.3.1 Interpretation

For the purpose of this Agreement, a Total Loss shall be deemed to have occurred:

(a) in the case of an actual total loss of a Mortgaged Vessel, on the actual date and at the time that such Mortgaged Vessel was lost or, if such date is not known, on the date on which such Mortgaged Vessel was last reported;

(b) in the case of a constructive total loss of a Mortgaged Vessel, upon the date and at the time notice of abandonment of such Mortgaged Vessel is given to the then insurers of such Mortgaged Vessel (provided a claim for total loss is admitted by such insurers) or, if such insurers do not immediately admit such a claim, at the date and at the time at which either a total loss is subsequently admitted by such insurers or a total loss is subsequently adjudged by a competent court of law or arbitration tribunal to have occurred;

(c) in the case of a compromised or arranged total loss of a Mortgaged Vessel, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the then insurers of such Mortgaged Vessel;

(d) in the case of Compulsory Acquisition, on the date upon which the relevant requisition of title or other compulsory acquisition occurs; and

(e) in the case of hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a Mortgaged Vessel (other than within the definition of Compulsory Acquisition) by any Government Entity, or by persons allegedly acting or purporting to act on behalf of any Government Entity, which deprives its Owner of the use of that Mortgaged Vessel for more than sixty (60) days, upon the expiry of the period of sixty (60) days after the date upon which the relevant incident occurred.

4.4 **Mandatory prepayment on sale of a Mortgaged Vessel**

On the date of completion of the sale or transfer of ownership of a Mortgaged Vessel the Borrowers must prepay the Loan by an amount equal to the greater of:

(a) the Relevant Advance; and

(b) such amount as would be required to ensure that the aggregate amount of the Loan and the Swap Exposure after such prepayment is no more than seventy per cent (70%) of the remaining Mortgaged Vessel's Valuation Amount.

4.5 **Amounts payable on prepayment**

4.5.1 Any prepayment of all or part of the Loan under this Agreement shall be made together with:

(a) accrued interest on the amount to be prepaid to the date of such prepayment;

(b) any additional amount payable under clauses 3.5, 6.6 or 12.2; and

(c) all other sums payable by the Borrower to the Lender under this Agreement, the Master Agreement or any of the other Security Documents including, without limitation any Break Costs and costs in relation to unwinding any Transaction.

4.5.2 If the Borrowers make a prepayment of the Loan in full using Borrowed Money borrowed fully or partially from a bank or financial institution or a fund other than the Lender prior to the first anniversary of the first Drawdown Date, the Borrowers must pay to the Lender a prepayment fee of zero point five per cent. (0.5%) of the amount prepaid on the date of such prepayment. For the avoidance of doubt, no such prepayment fee is payable in the event of prepayment made pursuant to clauses 4.3 or 4.4.

4.6 **Notice of prepayment; reduction of Repayment Instalments; full prepayment**

4.6.1 Every notice of prepayment shall be effective only on actual receipt by the Lender, shall be irrevocable, shall specify the amount to be prepaid and the Advance which is to be prepaid and shall oblige the Borrower to make such prepayment on the date specified.

4.6.2 Any amount prepaid pursuant to clause 4.2 shall be applied pro rata against the Advances and thereafter, at the Borrowers' option in its sole discretion, in reducing each Repayment Instalment (including the relevant Balloon Instalment) of each Advance either (i) in inverse order of maturity (commencing with the relevant Balloon Instalment) or (ii) pro rata.

4.6.3 Any amounts prepaid pursuant to clauses 4.3 and 4.4 shall be applied fully against the Relevant Advance and thereafter shall be applied pro rata against the Repayment Instalments of the remaining Advance which are at that time outstanding (including the Balloon Instalment).

4.6.4 The Borrowers may not prepay the Loan or any part thereof except as expressly provided in this Agreement.

4.6.5 No amount repaid or prepaid may be re-borrowed.

4.7 **Master Swap Agreement, Repayments and Prepayments**

4.7.1 Notwithstanding any provision of the Master Agreement to the contrary, in the case of a prepayment of all or part of an Advance, the Lender shall be entitled but not obliged to take any action it deems appropriate (including, but not limited to, cancellation, netting out, amendment or transfer) in relation to all or any part of the rights, benefits and obligations created by any Transaction and/or the Master Agreement relevant to that Advance and/or to obtain or re establish any hedge or related trading position in any manner it may determine in order to match such Transaction to the amended repayment schedule of said Advance. If the relevant Advance is repaid in full then the relevant Transaction will also be brought to an end in line with the terms of the Master Agreement.

4.7.2 If less than the full amount of an Advance remains outstanding following a prepayment and the Lender agrees, following a written request of the Borrowers, that the Borrowers may maintain all or part of the relevant Transaction corresponding to said Advance in an amount not wholly matched with or linked to all or part of the, the Borrower shall within fifteen (15) days of being notified by the Lender of such requirement, provide the Lender with such additional security as shall be adequate to secure the performance of such Transaction, which additional security shall take such form, be constituted by such documentation and be entered into between such parties, as the Lender may approve or require, and each document comprising such additional security ("**Additional Security**") shall constitute a Credit Support Document.

4.7.3 The Borrowers shall promptly on written demand of the Lender indemnify the Lender in respect of all losses, costs and expenses (including, but not limited to, reasonable legal costs and expenses) incurred or sustained by the Lender as a consequence of or in relation to the effecting of any matter or transactions referred to in this clause 4.7 (*Master Swap Agreement, Repayments and Prepayments*).

4.7.4 If the Lender exercises any of its rights under clause 4.7 and such exercise results in all or part of a Transaction being terminated, such termination shall be treated under the Master Agreement in the same manner as if it were a Terminated Transaction (as defined in section 14 of the Master Agreement).

4.7.5 At any time during the Security Period the Borrowers may request the Lender to conclude Designated Transactions for the purpose of swapping their interest payment obligations under this Agreement. Signature of a Master Agreement does not commit the Lender to conclude Transactions, or even to offer terms for doing so, but does provide a contractual framework within which Transactions may be concluded and secured if the Lender is willing to conclude any Transaction at the relevant time and terms can be agreed at the relevant time.

4.7.6 In relation to the Master Agreement, the Borrowers hereby agree and undertake with the Lender throughout the Security Period:

(a) only to use Transactions concluded under the Master Agreement for the purpose of swapping their interest payment obligations under this Agreement;

(b) subject to the provisions of clause 4, to apply relevant sums out of amounts standing to the credit of the Earnings Accounts to meet their obligations under the maturing Transactions and to use the sums derived from such Transactions to meet their interest payment obligations under this Agreement; and

(c) subject to clause 4.7.2, not to conclude Transactions which would result, at any time during the Security Period, in the notional principal amount of all Transactions then remaining exceeding the amount of the Loan.

5 **FEES AND EXPENSES**

5.1 **Arrangement fee**

The Borrowers agree to pay to the Lender on the Drawdown Date a non-refundable arrangement fee equal to zero point seven five per cent (0.75%) of the amount of the Loan which is made available on the Drawdown Date.

5.2 **Expenses**

The Borrowers agree to reimburse the Lender on a full indemnity basis within ten (10) days of demand all reasonable expenses and/or disbursements whatsoever (including without limitation legal (an estimate of which shall be provided to the Borrowers by the Lender in advance), printing and out of pocket expenses) certified by the Lender as having been incurred by them from time to time:

5.2.1 in connection with the negotiation, preparation, execution and, where relevant, registration of the Security Documents and of any contemplated or actual amendment, or indulgence or the granting of any waiver or consent howsoever in connection with, any of the Security Documents (including legal fees) (but excluding any such expense incurred in connection with the transfer, assignment or sub-participation of any of the rights and/or obligations of the Lender under the Security Documents);

5.2.2 in contemplation or furtherance of, or otherwise howsoever in connection with, the exercise or enforcement of, or preservation of any rights, powers, remedies or discretions under any of the Security Documents, or in consideration of the Lender's rights thereunder or any action proposed or taken following the occurrence of a Default or otherwise in respect of the moneys owing under any of the Security Documents; and

5.2.3 in connection with obtaining a written report from a maritime insurance consultant or broker acceptable to the Lender in relation to the Insurances of each Mortgaged Vessel (which the Lender may obtain not more than once a year, and at any time when there has been a change of insurer or terms of cover for either Mortgaged Vessel, other than in respect of the insured value of that Mortgaged Vessel),

together with interest at the rate referred to in clause 3.4 from the date on which reimbursement of such expenses and/or disbursements were due following demand to the date of payment (as well after as before judgment).

5.3 **Value added tax**

All fees and expenses payable pursuant to this Agreement must be paid together with value added tax or any similar tax (if any) properly chargeable thereon in any jurisdiction. Any value added tax chargeable in respect of any services supplied by the Lender under this Agreement shall, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 **Stamp and other duties**

The Borrowers must pay all stamp, documentary, registration or other like duties or taxes, but excluding any FATCA Deduction (except for any such Taxes incurred in connection with any transfer, assignment or sub-participation of any of the rights and/or obligations of the Lender under any of the Security Documents) (including any duties or taxes payable by the Lender) imposed on or in connection with any of the Underlying Documents, the Security Documents or the Loan and agree to indemnify the Lender against any liability arising by reason of any delay or omission by the Borrowers to pay such duties or taxes.

6 **PAYMENTS AND TAXES; ACCOUNTS AND CALCULATIONS**

6.1 **No set-off or counterclaim**

All payments to be made by any Borrower under any of the Security Documents must be made in full, without any set off or counterclaim whatsoever and, subject as provided in clause 6.6, free and clear of any deductions or withholdings, in USD on or before 11:00 am (Athens time) on the due date in freely available funds to such account at the Lender and in such place as the Lender may from time to time specify for this purpose.

6.2 **Payment by the Lender**

All sums to be advanced by the Lender to the Borrowers under this Agreement shall be remitted in USD on the Drawdown Date to the account specified in the relevant Drawdown Notice.

6.3 **Non-Banking Days**

When any payment under any of the Security Documents would otherwise be due on a day which is not a Banking Day, the due date for payment shall be extended to the next following Banking Day unless the Banking Day falls in the next calendar month in which case payment shall be made on the immediately preceding Banking Day.

6.4 **Calculations**

All interest and other payments of an annual nature under any of the Security Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a three hundred and sixty (360) day year.

6.5 **Currency of account**

If any sum due from a Borrower under any of the Security Documents, or under any order or judgment given or made in relation thereto, must be converted from the currency ("the first currency") in which the same is payable thereunder into another currency ("the second currency") for the purpose of (i) making or filing a claim or proof against such Borrower, (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation thereto, the Borrowers undertake to indemnify and hold harmless the Lender from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which the Lender may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from a Borrower under this clause 6.5 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Security Documents and the term "rate of exchange" includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

6.6 **Grossing-up for Taxes - by the Borrowers**

If at any time a Borrowers must make any deduction or withholding in respect of Taxes (other than a FATCA Deduction) or otherwise from any payment due under any of the Security Documents for the account of the Lender or withholding in respect of Taxes from any payment due under any of the Security Documents, the sum due from such Borrower in respect of such payment must be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Lender receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made and the Borrowers must indemnify the Lender against any losses or costs incurred by it by reason of any failure of a Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrowers must promptly deliver to the Lender any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

This Clause 6.6 does not apply to any sums due from the Borrowers to the Lender under or in connection with the Master Agreement in respect of which sums the provisions of the Master Agreement shall apply.

6.7 **Claw back of Tax benefit**

If, following any such deduction or withholding as is referred to in clause 6.6 from any payment by a Borrower, the Lender shall receive or be granted a credit against or remission for any Taxes payable by it, the Lender shall, and to the extent that it can do so without prejudicing the retention of the amount of such credit or remission and without prejudice to the right of the Lender to obtain any other relief or allowance which may be available to it, reimburse the relevant Borrower with such amount as Lender shall in its absolute discretion certify to be the proportion of such credit or remission as will leave the Lender (after such reimbursement) in no worse position than it would have been in had there been no such deduction or withholding from the payment by such Borrower as aforesaid. Such reimbursement shall be made forthwith upon the Lender certifying that the amount of such credit or remission has been received by it. Nothing contained in this Agreement shall oblige the Lender to rearrange its tax affairs or to disclose any information regarding its tax affairs and computations. Without prejudice to the generality of the foregoing, the Borrowers shall not, by virtue of this clause 6.7, be entitled to enquire about the Lender's tax affairs.

6.8 **Loan account**

The Lender shall maintain, in accordance with its usual practice, an account or accounts (as the Lender may deem necessary) evidencing the amounts from time to time lent by, owing to and paid to it under the Security Documents. The Lender shall maintain a control account or accounts (as the Lender may deem necessary) showing the Loan and other sums owing by the Borrowers under the Security Documents and all payments in respect thereof being made from time to time. The control account shall, in the absence of manifest error, be prima facie evidence of the amount from time to time owing by the Borrowers under the Security Documents.

6.9 **Partial payments**

If, on any date on which a payment is due to be made by any Borrower under any of the Security Documents, the amount received by the Lender from such Borrower falls short of the total amount of the payment due to be made by such Borrower on such date then, without prejudice to any rights or remedies available to the Lender under any of the Security Documents, the Lender must apply the amount actually received from that Borrower in or towards discharge of the obligations of the Borrowers under the Security Documents in the following order, notwithstanding any appropriation made, or purported to be made, by any Borrower:

6.9.1 first, in or towards payment, in such order as the Lender may decide, of any unpaid costs and expenses of the Lender under any of the Security Documents;

6.9.2 secondly, in or towards payment of any fees payable to the Lender under, or in relation to, the Security Documents which remain unpaid;

6.9.3 thirdly, in or towards payment to the Lender of any accrued default interest owing pursuant to clause 3.4 but remains unpaid;

6.9.4 fourthly, in or towards payment to the Lender of any accrued interest owing in respect of an Advance which shall have become due under any of the Security Documents but remains unpaid;

6.9.5 fifthly, in or towards payment (i) to the Lender of any due but unpaid Repayment Instalments and (ii) to the Lender of any sum which shall have become due under the Master Agreement but remains unpaid; and

6.9.6 sixthly, in or towards payment to the Lender, on a pro rata basis, of any Break Costs and any other sum relating to the Loan which shall have become due under any of the Security Documents but remains unpaid.

The order of application set out in clauses 6.9.1 to 6.9.6 may be varied by the Lender without any reference to, or consent or approval from, the Borrowers.

7 REPRESENTATIONS AND WARRANTIES

7.1 Continuing representations and warranties

Each Borrower represents and warrants to the Lender that:

7.1.1 Due incorporation

each of the corporate Security Parties is duly incorporated, validly existing and in good standing under the laws of its respective country of incorporation, in each case, as a corporation and has power to carry on its respective businesses as it is now being conducted and to own its respective property and other assets, to which it has unencumbered legal and beneficial title except as disclosed to the Lender, and the shares of the Borrower are in registered form;

7.1.2 Corporate power

each of the Security Parties has power to execute, deliver and perform its obligations and, as the case may be, to exercise its rights under the Underlying Documents and the Security Documents to which it is a party; all necessary corporate, shareholder (if applicable) and other action has been taken to authorise the execution, delivery and on the execution of the Security Documents performance of the same and no limitation on the powers of the Borrowers to borrow or any other Security Party to howsoever incur liability and/or to provide or grant security will be exceeded as a result of borrowing any part of the Loan;

7.1.3 Binding obligations

the Underlying Documents and the Security Documents, when executed, will constitute valid and legally binding obligations of the relevant Security Parties enforceable in accordance with their respective terms;

7.1.4 No conflict with other obligations

the execution and delivery of, the performance of their obligations under, and compliance with the provisions of, the Underlying Documents and the Security Documents by the relevant Security Parties will not (i) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which any Security Party or other member of the Group is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which any Security Party or other member of the Group is a party or is subject or by which it or any of its property is bound, (iii) contravene or conflict with any provision of the constitutional documents of any Security Party or (iv) result in the creation or imposition of, or oblige any of the Security Parties to create, any Encumbrance (other than a Permitted Encumbrance) on any of the undertakings, assets, rights or revenues of any of the Security Parties;

7.1.5 No default

no Event of Default has occurred;

7.1.6 No litigation or judgments

no Proceedings are current, pending or threatened against any of the Security Parties or their assets which could have a Material Adverse Effect and there exist no judgments, orders, injunctions which would materially affect the obligations of the Security Parties under the Security Documents to which they are a party;

7.1.7 No filings required

except for the registration of the Mortgages in the relevant register under the laws of the relevant Flag State through the relevant Registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Underlying Documents or any of the Security Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Pertinent Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Pertinent Jurisdiction on or in relation to any of the Underlying Documents or the Security Documents and each of the Underlying Documents and the Security Documents is in proper form for its enforcement in the courts of each Pertinent Jurisdiction;

7.1.8 Required Authorisations and legal compliance

all Required Authorisations have been obtained or effected or waived by the person requiring the same and, to the extent no such waiver exists, are in full force and effect and no Security Party has in any way contravened any applicable law, statute, rule or regulation (including all such as relate to money laundering) to which such Security Party is subject;

7.1.9 Choice of law

the choice of English law to govern the Underlying Documents and the Security Documents (other than the Mortgages and the Earnings Account Pledges), the choice of the law of the Flag State to govern the Mortgages, the choice of Greek law to govern the Earnings Account Pledges and the submissions by the Security Parties to the jurisdiction of the English courts and the obligations of such Security Parties associated therewith, are valid and binding;

7.1.10 No immunity

no Security Party nor any of their assets is entitled to immunity on the grounds of sovereignty or otherwise from any Proceedings whatsoever;

7.1.11 Financial statements correct and complete the latest audited consolidated accounts of the Corporate Guarantor in respect of the relevant financial year as delivered to the Lender present or will present fairly and accurately the consolidated financial position of the Corporate Guarantor as at the date thereof and the results of the operations of the Corporate Guarantor and, as at such date, the Corporate Guarantor does not have any significant liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements;

7.1.12Pari passu

the obligations of the Borrowers under this Agreement and the Master Agreement are direct, general and unconditional obligations of the Borrowers and rank at least pari passu with all other present and future unsecured and unsubordinated Indebtedness of the Borrowers except for obligations which are mandatorily preferred by operation of law and not by contract;

7.1.13Information

all information, whatsoever provided by any Security Party to the Lender in connection with the negotiation and preparation of the Security Documents or otherwise provided hereafter in relation to, or pursuant to this Agreement is, or will be, true and accurate in all material respects and not misleading, does or will not omit material facts and all reasonable enquiries have been, or shall have been, made to verify the facts and statements contained therein; there are, or will be, no other facts the omission of which would make any fact or statement therein misleading in any (in the reasonable opinion of the Lender) material respect;

7.1.14No withholding Taxes

no Taxes anywhere are imposed whatsoever by withholding or otherwise on any payment to be made by any Security Party under the Underlying Documents or the Security Documents to which such Security Party is or is to be a party or are imposed on or by virtue of the execution or delivery by the Security Parties of the Underlying Documents or the Security Documents or any other document or instrument to be executed or delivered under any of the Security Documents;

7.1.15No Default under Underlying Documents

except as disclosed in writing by the Borrowers to the Lender, no Security Party is in material default of any of its obligations under any relevant Underlying Document;

7.1.16Use of proceeds

the Borrowers shall apply the Advances only for the purposes specified in clause 2.1;

7.1.17Copies true and complete

the Certified Copies of the Underlying Documents delivered or to be delivered to the Lender pursuant to clause 9.1 are, or will when delivered be, true and complete copies or, as the case may be, originals of such documents; and such documents constitute valid and binding obligations of the parties thereto enforceable in accordance with their respective terms and there have been no amendments or variations thereof or defaults thereunder;

7.1.18 Ownership of Borrowers

all the shares in each Borrower are legally owned by the Corporate Guarantor and are not held on trust for any third party;

7.1.19 No Indebtedness

no Borrower has not incurred any Borrowed Moneys save as envisaged by this Agreement or as otherwise disclosed to the Lender or incurred in the ordinary course of its business of owning, operating and chartering the Vessel owned by it;

7.1.20 Tax returns

the Borrowers and the Corporate Guarantor have filed all tax and other fiscal returns (if any) which may be required to be filed by any tax authority to which they are subject;

7.1.21 Freedom from Encumbrances

neither the Vessels nor their Earnings, Insurances or Requisition Compensation (each as defined in the relevant Ship Security Documents) nor the Earnings Accounts nor any Extended Employment Contract in respect of a Vessel nor any shares of and in the Borrowers nor any other properties or rights which are, or are to be, the subject of any of the Security Documents nor any part thereof will be subject to any Encumbrance except Permitted Encumbrances;

7.1.22 Environmental Matters

except as may already have been disclosed by the Borrowers in writing to, and acknowledged in writing by, the Lender:

(a) the Borrowers, the Manager and the other Group Members and, to the best of the Borrowers' knowledge and belief (having made due enquiry), their respective Environmental Affiliates have complied with the provisions of all Environmental Laws;

(b) the Borrowers, the Manager and the other Group Members and, to the best of the Borrowers' knowledge and belief (having made due enquiry), their respective Environmental Affiliates have obtained all Environmental Approvals and are in compliance with all such Environmental Approvals;

(c) no Environmental Claim has been made or threatened or pending against any of the Borrowers, the Manager, any other Group Member or, to the best of the Borrowers' knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates; and

(d) there has been no Environmental Incident;

7.1.23 ISM and ISPS Code

the Owners have complied with and continue to comply with and have procured that the Manager of the Vessels has complied with and continues to comply with the ISM Code, the ISPS Code and all other statutory and other requirements relative to their business and in particular they or the Manager have obtained and maintain a valid DOC, IAPP Certificate, EIAPP Certificate (if applicable) and SMC for the Vessels and that they and the Manager have implemented and continue to implement an ISM SMS;

7.1.24 Accounting reference date

the Borrowers' and the Corporate Guarantor's accounting reference date is 31 December.

7.1.25 Office

no Borrower has an office in England or the United States of America;

7.1.26 Restricted Persons, unlawful activity

(a) none of the shares in any Borrower, in (to the best of its knowledge) the Corporate Guarantor, or in any other Security Party or any Vessel are or will be at any time during the Facility Period legally or beneficially owned or controlled by a Restricted Person;

(b) no Restricted Person has or will have at any time during the Facility Period any legal or beneficial interest of any nature whatsoever in any of the shares of any of the Borrowers, (to the best of its knowledge) the Corporate Guarantor, or any other Security Party or any Vessel;

7.1.27 Sanctions

(to the best of its knowledge only in respect of an agent) no Security Party nor any director, officer, agent, employee of any Security Party or any person acting on behalf of any Security Party, is a Restricted Person nor acts directly or indirectly on behalf of a Restricted Person; and

7.1.28 FATCA

none of the Security Parties is a FATCA FFI or a US Tax Obligor; and

7.1.29 Equal treatment of lenders

The financial covenants described in clause 8.1.8 are no less favourable (taken as a whole) to financial covenants granted by the Corporate Guarantor under existing lending facilities extended by banks, financiers or other financial institutions to the Corporate Guarantor and its subsidiaries on or before 28 September 2022 (PROVIDED THAT, for the avoidance of doubt, for the purpose of this clause any covenant regarding the provision of cash collateral or restricted cash of any sort granted to other banks, financiers or other financial institutions shall not constitute a financial covenant under this clause).

7.2 **Repetition of representations and warranties**

On each day throughout the Facility Period, the Borrowers shall be deemed to repeat the representations and warranties in clause 7 updated mutatis mutandis as if made with reference to the facts and circumstances existing on such day and in clause 7.1.11 as if made with reference to the Latest Account at any relevant time.

8 UNDERTAKINGS

8.1 General

Each Borrower undertakes with the Lender that, from the Execution Date until the end of the Facility Period, it will:

8.1.1 Notice of Event of Default and Proceedings

promptly inform the Lender of (a) any Event of Default and of any other circumstances or occurrence which might adversely affect the ability of any Security Party to perform its obligations under any of the Security Documents to which it is a party and (b) as soon as the same is commenced or threatened, details of any Proceedings involving any Security Party which could have a Material Adverse Effect on that Security Party and/or the operation of any of the Mortgaged Vessels (including, but not limited to any Total Loss of the Vessel or the occurrence of any Environmental Incident) and will from time to time, if so requested by the Lender, confirm to the Lender in writing that, save as otherwise stated in such confirmation, no Event of Default has occurred and is continuing unremedied and unwaived and no such Proceedings have been commenced or threatened;

8.1.2 Authorisation

to the extent a waiver has not been obtained, obtain or cause to be obtained, maintain in full force and effect and comply fully with all Required Authorisations, provide the Lender with Certified Copies of the same and do, or cause to be done, all other acts and things which may from time to time be necessary or desirable under any applicable law (whether or not in the Pertinent Jurisdiction) for the continued due performance of all the obligations of the Security Parties under each of the Security Documents;

8.1.3 Corporate Existence

ensure that each Security Party maintains its corporate existence as a body corporate duly organised and validly existing and in good standing under the laws of the Pertinent Jurisdiction;

8.1.4 Use of proceeds

use the Advances exclusively for the purposes specified in clauses 1.1 and 2.1;

8.1.5 Pari passu

ensure that its obligations under this Agreement and the Master Agreement shall, without prejudice to the provisions of clause 8.3, at all times rank at least pari passu with all its other present and future unsecured and unsubordinated Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract;

8.1.6 Financial statements

as soon as possible, but in no event later than 180 days after the end of each of its financial years, annual audited (prepared in accordance with US GAAP by a first class international firm of accountants) consolidated financial statements of the Corporate Guarantor (commencing with the financial year ending 31 December 2022), together with updated details (in a form acceptable to the Lender) of all off-balance sheet and time-charter hire commitments of the Vessel;

8.1.7 Compliance Certificates

deliver to the Lender on the date on which the audited consolidated accounts are delivered under clause 8.1.6 a Compliance Certificate together with such supporting information as the Lender may reasonably require;

8.1.8 Financial Covenants

procure that

(a) the Net Worth of the Group will at all times exceed USD15,000,000; and

(b) the Total Liabilities divided by the Total Assets (each net of cash balance) shall at all times be no more than 75%;

8.1.9 Reimbursement of MII & MAP Policy premiums

reimburse the Lender on the Lender's written demand the amount of the premium payable by the Lender for the inception or, as the case may be, extension and/or continuance of the MII & MAP Policy (including any insurance tax thereon);

8.1.10 Provision of further information

provide the Lender, and procure that the Corporate Guarantor (including its Subsidiaries), shall provide the Lender, with such financial or other information (including, but not limited to, financial standing, Indebtedness, balance sheet, off-balance sheet commitments, repayment schedules, operating expenses, charter arrangements concerning the Borrowers, the Corporate Guarantor (including its Subsidiaries), the Group and their respective affairs, activities, financial standing, Indebtedness and operations and the performance of the Mortgaged Vessels as the Lender may from time to time reasonably require save for any information which is confidential in relation to arms-length third parties or is not disclosable by law, convention or regulatory requirements;

8.1.11 Obligations under Security Documents, etc.

duly and punctually perform each of the obligations expressed to be imposed or assumed by them under the Security Documents and any Extended Employment Contact and will procure that each of the other Security Parties will, duly and punctually perform each of the obligations expressed to be assumed by it under the Security Documents and any Extended Employment Contract to which it is a party;

8.1.12Compliance with ISM Code

and will procure that any Operator will, comply with and ensure that the Mortgaged Vessels and any Operator complies with the requirements of the ISM Code, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto throughout the Security Period (as defined in the relevant Ship Security Documents);

8.1.13Withdrawal of DOC and SMC

immediately inform the Lender if there is any actual withdrawal of its or any Operator's DOC, IAPP Certificate, EIAPP Certificate or the SMC of either Mortgaged Vessel;

8.1.14Issuance of DOC and SMC

and will procure that any Operator will promptly inform the Lender of the receipt by any Owner or any Operator of notification that its application for a DOC or any application for an SMC or IAPP Certificate or EIAPP Certificate for either Mortgaged Vessel has been refused;

8.1.15ISPS Code Compliance

and will procure that the Manager or any Operator will:

(a) maintain at all times a valid and current ISSC in respect of each Mortgaged Vessel;

(b) immediately notify the Lender in writing of any actual or threatened withdrawal, suspension, cancellation or material modification of the ISSC in respect of a Mortgaged Vessel; and

(c) procure that each Mortgaged Vessel will comply at all times with the ISPS Code;

8.1.16Compliance with Laws and payment of taxes

(a) comply with all relevant Environmental Laws, laws, statutes and regulations applicable to it and pay all taxes for which it is liable as they fall due; and

(b) comply in all respects with, and will procure that each Security Party and each other Group Member will comply in all respects with, all Sanctions;

8.1.17Inspection

ensure that the Lender, by independent marine surveyors or other persons appointed by it for such purpose, may board each Vessel, once per calendar year or whenever the Lender deems necessary after the occurrence of an Event of Default which is continuing, provided in each case that the Lender shall use reasonable endeavours to ensure that such inspections or surveys shall not interfere with the operation of such Mortgaged Vessel, for the purpose of inspecting or surveying her and will afford all proper facilities for such inspections or survey and for this purpose will give the Lender reasonable advance notice of any intended drydocking of each Mortgaged Vessel (whether for the purpose of classification, survey or otherwise) and will pay the costs in respect of each such inspection or survey effected after the occurrence of an Event of Default which is continuing (otherwise such inspection or survey shall be at the Lender's expense) and will provide the Lender with or ensure that the Lender receives on request all reports of such inspections, to be in such form as the Lender may approve, and, if a Mortgaged Vessel shall not be in a condition and state which complies with the requirements of this Agreement and the other Security Documents, will effect such repairs as in the reasonable opinion of the Lender be desirable to ensure such compliance;

8.1.18The Mortgaged Vessels

ensure that throughout the Facility Period, each Mortgaged Vessel will at all times after her delivery (except as the Lender may otherwise permit) be:

(a) in the absolute sole, legal and beneficial ownership of the relevant Owner, free of Encumbrances except Permitted Encumbrances, and not held on trust for any third party;

(b) registered through the offices of the relevant Registry as a ship under the laws and flag of the relevant Flag State;

(c) in compliance with the ISM Code and the ISPS Code and operationally seaworthy and in every way fit for service;

(d) classed with the Classification free of all overdue requirements and recommendations of the Classification Society affecting the Classification;

(e) insured in accordance with the Ship Security Documents relating thereto; and

(f) managed by the Manager in accordance with the terms of the Management Agreement, which shall be acceptable to the Lender.

8.1.19Charters

deliver to the Lender, a Certified Copy of each Extended Employment Contract upon its execution, forthwith on the Lender’s request execute (a) a Charter Assignment in respect thereof and (b) any notice of assignment required in connection therewith and use reasonable efforts to procure the acknowledgement of any such notice of assignment by the relevant charterer (provided that any failure to procure the acknowledgement shall not constitute an Event of Default) and (c) (if either Mortgaged Vessel is subject to a bareboat charter) procure execution by the Borrower and the charterer of a Tripartite Deed, together with all notices required to be determined thereunder and will provide evidence acceptable to the Lender that such notice has been given to the relevant charterer and the Borrowers shall pay all legal and other costs incurred by the Lender in connection with any such Charter Assignments and Tripartite Deed, forthwith following the Lender’s demand;

8.1.20Chartering

not without the prior written consent of the Lender and, if such consent is given, only subject to such conditions as the Lender may impose (and in the case of (c) only, such consent not to be unreasonably withheld), to let any Vessel:

(a) on demise charter for any period; or

(b) by any time or consecutive voyage charter for a term which exceeds or which by virtue of any optional extensions therein contained might exceed twelve (12) months' duration; or

(c) on terms whereby more than two (2) months' hire (or the equivalent) is payable in advance;

8.1.21 Sanctions

(a) (to the best of its knowledge only in respect of an agent) not be, and shall procure that any Security Party and other Group Member, or any director, officer, agent, employee or person acting on behalf of the foregoing is not, a Restricted Person and does not act directly or indirectly on behalf of a Restricted Person;

(b) and shall procure that each Security Party and each other Group Member shall, not use any revenue or benefit derived from any activity or dealing with a Restricted Person in discharging any obligation due or owing to the Lender;

(c) procure that no proceeds from any activity or dealing with a Restricted Person are credited to any bank account held with the Lender in its name or in the name of any other member of the Group;

(d) take, and shall procure that each Security Party and each other Group Member has taken, reasonable measures to ensure compliance with Sanctions;

(e) and shall procure that each Security Party and each other Group Member shall, to the extent permitted by law promptly upon becoming aware of them, supply to the Lender details of any claim, action, suit, proceedings or investigation against it with respect to Sanctions by any Sanctions Authority; and

(f) not accept, obtain or receive any goods or services from any Restricted Person, except (without limiting clause 8.1.21(b)), to the extent relating to any warranties and/or guarantees given and/or liabilities incurred in respect of an activity or dealing with a Restricted Person by any Borrower, any other Security Party or any other Group Member in accordance with this Agreement;

8.1.22 Ownership

ensure that all the shares in each Borrower are legally owned by the Corporate Guarantor and ultimately owned and controlled by the Corporate Guarantor and are not held on trust for any third party;

8.1.23 Unencumbered liquidity

procure that at all times during the Facility Period, the Corporate Guarantor or the Borrowers shall maintain in an account or accounts with the Lender free deposit cash which is (other than the Earnings Account Pledges) free of any Encumbrance in an average aggregate amount of not less than USD350,000 (taking also into account sums standing to the credit of the Earnings Account) multiplied by the number of Mortgaged Vessels for the preceding twelve-months period, to be tested first on 31 December 2023 and annually thereafter;

8.1.24 Listing

procure that the Corporate Guarantor shall maintain its listing as a public limited company on NASDAQ or any other stock exchange acceptable to the Lender and comply with all of the listing rules, laws and regulations applicable to public companies listed on NASDAQ or such other acceptable stock exchange and shall take no steps to de-list without the prior consent of the Lender (such consent not to be unreasonably withheld);

8.1.25 Shipping activities

procure that the Corporate Guarantor shall at all times remain the ultimate holding company of shipowning companies engaged in shipping activities acceptable to the Lender;

8.1.26 Executive management

procure that at all times throughout the Facility Period

(a) Mr Aristeidis Pittas shall be the Chief Executive Officer or Chairman of the Corporate Guarantor; and

(b) the manager shall be managed and/or controlled by Mr Aristeidis Pittas or any other person acceptable to the Lender;

8.1.27 Funding of acquisition

ensure that the acquisition cost of the Vessels has been funded by the Borrowers through cash from the cash position of the Corporate Guarantor and its Subsidiaries and/or cash equity contribution and/or common or preferred shares and/or contributions provided by the Corporate Guarantor, and if the funding of the acquisition cost of the Vessels has also been effected through lending or credit schemes, ensure that such lending or credit schemes will be fully repaid, prepaid or extinguished, as the case may be, no later than the Drawdown Date.

8.1.28FATCA Information

(a) Subject to paragraph (c) below each party to any Security Document shall, within 10 Banking Days of a reasonable request by the other party to that Security Documents:

(i) confirm to that other party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party; and

(ii) supply to that other party such forms, documentation and other information relating to its status under FATCA as that other party reasonably requests for the purposes of that other party's compliance with FATCA;

(iii) supply to that other party such forms, documentation and other information relating to its status as that other party reasonably requests for the purposes of that other party's compliance with any other law, regulation, or exchange of information regime;

(b) if a party to any Security Document confirms to another party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify the other party reasonably promptly;

(c) paragraph (a) above shall not oblige the Lender to do anything, and paragraph (a)(iii) above shall not oblige any other party to any Security Document to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any policy of the Lender;

(iii) any fiduciary duty; or

(iv) any duty of confidentiality;

(d) paragraph (a) above shall not oblige the Lender to do anything, and paragraph (a)(iii) above shall not oblige any other party to any Security Document to do anything, which would or might in its reasonable opinion cause it to disclose any confidential information (including, without limitation, its tax returns and calculations); provided, however, that information required (or equivalent to the information so required) by United States Internal Revenue Service Forms W-8 or W-9 (or any successor forms) shall not be treated as confidential information of such Lender for purposes of this paragraph (d);

(e) if a party to any Security Document fails to confirm whether or not it is a FATCA Exempt Party, or to supply forms, documentation or other information requested in accordance with paragraph (a) (i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such party shall be treated for the purposes of the Security Documents (and payments under them) as if it is not a FATCA Exempt Party until (in each case) such time as that party provides the requested confirmation, forms, documentation or other information.

8.1.29FATCA Deduction

(a) A party to any Security Document may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no party to any Security Document shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(b) A party to any Security Document shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the party to whom it is making the payment and, in addition, shall notify the Borrower and the Lender.

8.2 **Security value maintenance**

8.2.1 Security shortfall

If at any time throughout the Facility Period the Security Value shall be less than the Required Security Amount, the Lender shall give notice to the Borrowers requiring that such deficiency be remedied and then the Borrower must within thirty (30) days of receipt of the Lender's said notice, either:

(a) prepay such part of the Loan as will result in the Security Value after such prepayment (taking into account any other repayment of the Loan made between the date of the notice and the date of such prepayment) being equal to or higher than the Required Security Amount; or

(b) constitute to the satisfaction of the Lender such further security for the Loan as shall be acceptable to the Lender having a value for security purposes (as determined by the Lender in accordance with clause 8.2.5) at the date upon which such further security shall be constituted which, when added to the Security Value, shall not be less than the Required Security Amount as at such date.

The provisions of clauses 4.5 and 4.6 shall apply to prepayments under clause 8.2.1(a) provided that the Lender shall apply such prepayments pro rata against the Repayment Instalments of the Advances which are at that time outstanding (including the Balloon Instalments) and the amount of the Loan prepaid hereunder shall not be available to be re-borrowed.

8.2.2 Valuation of the Mortgaged Vessels

Each Mortgaged Vessel shall, for the purposes of this Agreement, be valued in USD by an Approved Broker appointed by, and reporting to, the Lender, such valuations to be made without physical inspection, and on the basis of a sale for prompt delivery for cash at arms' length, on normal commercial terms, as between a willing buyer and a willing seller, without taking into account the benefit or burden of any charterparty or other engagement concerning the relevant Mortgaged Vessel), at any time as the Lender shall require and at least once a year.

The Approved Broker's valuations for each Mortgaged Vessel on each such occasion shall constitute the Valuation Amount of such Mortgaged Vessel for the purposes of this Agreement until superseded by the next such valuation.

8.2.3 Information

The Borrowers undertake with the Lender to supply to the Lender such information concerning the relevant Mortgaged Vessel and its condition as the Lender may require for the purpose of determining any Valuation Amount.

8.2.4 Costs

The Borrowers shall pay all costs in connection with any determination of the Valuation Amount (i) prior to the occurrence of an Event of Default which is continuing, once a year, and (ii) after the occurrence of an Event of Default which is continuing, at all times.

8.2.5 Valuation of additional security

For the purposes of this clause 8.2, the market value (i) of any additional security over a ship (other than the Vessels) shall be determined (at the Borrowers' expense) in USD by an Approved Broker appointed by, and reporting to, the Lender, such valuation to be made without physical inspection, and on the basis of a sale for prompt delivery for cash at arms' length, on normal commercial terms, as between a willing buyer and a willing seller, without taking into account the benefit or burden of any charterparty or other engagement concerning the Vessel and (ii) of any other additional security provided or to be provided to the Lender shall be determined by the Lender in its absolute discretion, Provided that additional security in the form of cash in Dollars will be valued on a Dollar for Dollar basis.

8.2.6 Documents and evidence

In connection with any additional security provided in accordance with this clause 8.2, the Lender shall be entitled to receive (at the Borrowers' expense) such evidence and documents of the kind referred to in schedule 2 as may in the Lender's opinion be appropriate and such favourable legal opinions as the Lender shall in its absolute discretion require.

8.2.7 Release of Security

If the Security Value shall at any time exceeds the Required Security Amount, and the Borrowers shall previously have provided further security to the Lender pursuant to clause 8.2.1, the Lender shall, as soon as reasonably practicable after notice from the Borrowers to do so and subject to being indemnified to its reasonable satisfaction against the cost of doing so, release any such further security specified by the Borrowers provided that the Lender is satisfied that, immediately following such release, the Security Value will equal or exceed the Required Security Amount.

8.3 **Negative undertakings relating to the Borrowers**

The Borrower undertakes with the Lender that, from the Execution Date until the end of the Facility Period, it will procure that, except with the prior written consent of the Lender (and such consent in respect of clauses 8.3.12(a) and 8.3.20 not to be unreasonably withheld or delayed), it will not:

8.3.1 Negative pledge

permit any Encumbrance (other than a Permitted Encumbrance) to subsist, arise or be created or extended over all or any part of their respective present or future undertakings, assets, rights or revenues to secure or prefer any present or future Indebtedness or other liability or obligation of any Group Member or any other person;

8.3.2 No merger or transfer

merge or consolidate with any other person or permit any change to the legal or beneficial ownership of their shares from that existing at the Execution Date (and for the avoidance of doubt any change in the ownership of shares of and in the Corporate Guarantor occurring in the normal course of business shall not constitute a breach of this clause);

8.3.3 Disposals

sell, transfer, assign, create security or option over, pledge, pool, abandon, lend or otherwise dispose of or cease to exercise direct control over any part of their present or future undertaking, assets, rights or revenues (otherwise than by transfers, sales or disposals for full consideration in the ordinary course of trading) whether by one or a series of transactions related or not;

8.3.4 Other business or manager

undertake any type of business other than the ownership and operation of the Vessels or (without the prior consent of the Lender) employ anyone other than the Manager as commercial and technical manager of the relevant Vessel;

8.3.5 Acquisitions

acquire, any assets other than the Vessels and rights arising under contracts entered into by or on behalf of the Owners in the ordinary course of their business of owning, operating and chartering the Vessels;

8.3.6 Other obligations

incur, any obligations except for obligations arising under the Underlying Documents or the Security Documents or contracts entered into in the ordinary course of their business of owning, operating and chartering the Vessels;

8.3.7 No borrowing

incur any Borrowed Money except for Borrowed Money pursuant to the Security Documents or incurred in the ordinary course of its business of owning, operating and chartering the Vessel;

8.3.8 Repayment of borrowings

repay or prepay the principal of, or pay interest on or any other sum in connection with any of their Borrowed Money except for Borrowed Money pursuant to the Security Documents;

8.3.9 Guarantees

issue any guarantees or otherwise become directly or contingently liable for the obligations of any person, firm, or corporation except pursuant to the Security Documents and except for guarantees from time to time required in the ordinary course by any protection and indemnity or war risks association with which a Vessel is entered, guarantees required to procure the release of such Vessel from any arrest, detention, attachment or levy or guarantees required for the salvage of a Vessel;

8.3.10 Loans

make any loans or grant any credit (save for normal trade credit in the ordinary course of business) to any person or agree to do so;

8.3.11 Sureties

permit any Indebtedness of any Borrower to any person (other than to the Lender pursuant to the Security Documents) to be guaranteed by any person (except for guarantees from time to time required in the ordinary course of business by any protection and indemnity or war risks association with which a Vessel is entered, guarantees required to procure the release of such Vessel from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of a Vessel); or

8.3.12 Flag, Class etc.

permit:

(a) any change in the name or flag of a Vessel;

(b) any change of Classification or Classification Society in respect of a Vessel;

(c) any change of Manager in respect of a Vessel; or

(d) any change in the ownership (including ultimate beneficial ownership) or control of a Borrower from that existing as at the date hereof and shall procure that there is no change in the ownership (including ultimate beneficial ownership) or control of the Manager (if other than the Corporate Guarantor) from that existing as at the date hereof (and for the avoidance of doubt any change in the ownership of shares of and in the Corporate Guarantor occurring in the normal course of business shall not constitute a breach of this clause);

8.3.13Underlying Documents

terminate or materially amend or vary an Extended Employment Contract or a Management Agreement (and for the avoidance of doubt, material amendments include, but are not limited to, reductions of rate of hire, increase of management fees not already provided for in the Management Agreement and termination rights); or

8.3.14Lay-up

de-activate or lay up a Vessel; or

8.3.15Place of business

own or operate and will procure that no Security Party shall own or operate a place of business situate in England or the United States of America (save that the Lender acknowledges and agrees that the Corporate Guarantor is listed as a public limited company on NASDAQ); or

8.3.16Share capital and distribution

declare or pay any dividends if an Event of Default has occurred and is continuing or would occur as a result of such declaration or payment or distribute any of its present or future assets, undertakings, rights or revenue;

8.3.17Sharing of Earnings

permit there to be any agreement or arrangement whereby the Earnings (as defined in the relevant Ship Security Documents) of a Vessel may be shared or pooled howsoever with any other person except for customary profit sharing arrangements under a charterparty;

8.3.18Lawful use

permit a Vessel to be employed:

(a) in any way or in any activity with a Restricted Person or in any Sanctions Restricted Jurisdiction or which is (i) unlawful under international law or the domestic laws of any relevant country or (ii) contrary to any Sanctions;

(b) to the best of its knowledge, in carrying illicit or prohibited goods;

(c) in a way which may make that Vessel liable to be condemned by a prize court or destroyed, seized or confiscated;

(d) in any part of the world where there are hostilities (whether war has been declared or not), unless such employment has been notified to, and approved by, the relevant insurers of that Vessel; or

(e) to the best of its knowledge, in carrying contraband goods,

and the Borrowers shall procure that the persons responsible for the operation of such Vessel shall take all necessary and proper precautions to ensure that this does not happen, including participation in industry or other voluntary schemes available to that Vessel and in which leading operators of ships operating under the same flag or engaged in similar trades generally participate at the relevant time;

8.3.19 FATCA

become a FATCA FFI or a US Tax Obligor and shall procure that no Security Party shall do so;

8.3.20 Sale or transfer of ownership of a Vessel

sell, or otherwise transfer its ownership of, the Vessel owned by it;

8.3.21 Hedging

enter into any hedging arrangements except under the Master Agreement in respect of the Loan.

9 **CONDITIONS**

9.1 **Availability of the Advances**

The obligation of the Lender to make available any Advance is conditional upon:

9.1.1 the Lender, or its authorised representative, having received, not later than two (2) Banking Days before the day on which the relevant Drawdown Notice is given, the documents and evidence specified in Part 1 of schedule 2 in form and substance satisfactory to the Lender; and

9.1.2 the representations and warranties contained in clause 7 being then true and correct as if each was made with respect to the facts and circumstances existing at such time and the same being unaffected by the drawdown of the Advances; and

9.1.3 no Default having occurred and being continuing and there being no Default which would result from the lending of the Advances; and

9.1.4 no material adverse change having occurred in the financial condition and operation of the Borrower and/or the Corporate Guarantor as at the relevant Drawdown Date.

9.2 **Advance of the Advances**

The obligation of the Lender to make available an Advance is conditional upon the Lender, or its authorised representative, having received, on or prior to the relevant Drawdown Date, the documents and evidence specified in Part 2 of schedule 2 in form and substance satisfactory to the Lender.

9.3 **Waiver of conditions precedent**

The conditions specified in this clause 9 are inserted solely for the benefit of the Lender and may be waived by the Lender in whole or in part and with or without conditions.

9.4 **Further conditions precedent**

Not later than five (5) Banking Days prior to the Drawdown Date of an Advance the Lender may request and the Borrower must, not later than two (2) Banking Days prior to such date, deliver to the Lender (at the Borrowers' expense) on such request further favourable certificates and/or opinions as to any or all of the matters which are the subject of clauses 7, 8, 9 and 10.

10 **EVENTS OF DEFAULT**

10.1 **Events**

Each of the following events shall constitute an Event of Default (whether such event shall occur voluntarily or involuntarily or by operation of law or regulation or in connection with any judgment, decree or order of any court or other authority or otherwise, howsoever):

10.1.1 **Non-payment:** any Security Party fails to pay any sum payable by it under any of the Security Documents to which it is a party at the time, in the currency and in the manner stipulated in the Security Documents (and so that, for this purpose, sums payable (i) under clauses 3.1 and 4.1 shall be treated as having been paid at the stipulated time if (aa) received by the Lender within three (3) Banking Days of the dates therein referred to and (bb) such delay in receipt is caused by administrative or other delays or errors within the banking system and (ii) on demand shall be treated as having been paid at the stipulated time if paid within three (3) Banking Days of demand); or

10.1.2 **Breach of Insurance and certain other obligations:** a Borrower or, as the context may require, the Manager or any other person fails to obtain and/or maintain the Insurances (as defined in, and in accordance with the requirements of, the Ship Security Documents) for any of the Mortgaged Vessels or if any insurer in respect of such Insurances cancels the Insurances or disclaims liability by reason, in either case, of mis-statement in any proposal for the Insurances or for any other failure or default on the part of a Borrower or any other person or a Borrower commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under clause 8 or clause 14; or

10.1.3 **Breach of other obligations:** any Security Party commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Security Documents (other than those referred to in clauses 10.1.1 and 10.1.2 above) unless such breach or omission, in the opinion of the Lender is capable of remedy, in which case the same shall constitute an Event of Default if it has not been remedied within fifteen (15) days of the occurrence thereof; or

10.1.4 **Misrepresentation:** any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Security Documents or in any notice, certificate or statement referred to in or delivered under any of the Security Documents is or proves to have been incorrect or misleading in any material respect; or

10.1.5 **Cross-default:** any Indebtedness of any Borrower or any Indebtedness of the Corporate Guarantor exceeding USD1,000,000 is not paid when due (subject to applicable grace periods) or any Indebtedness of any Borrower or any Indebtedness of the Corporate Guarantor exceeding USD1,000,000 becomes (whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by a Borrower or the Corporate Guarantor of a voluntary right of prepayment), or any creditor of a Borrower or the Corporate Guarantor becomes entitled to declare any such Indebtedness due and payable or any facility or commitment available to a Borrower or the Corporate Guarantor relating to Indebtedness is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned, and such Indebtedness of a Borrower or the Corporate Guarantor (as the case may be) is not paid within fourteen (14) Banking Days from the due date for payment; or

10.1.6 **Execution:** any uninsured judgment or order made against any Security Party is not stayed, appealed against or complied with within fifteen (15) days or a creditor attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of any Security Party and is not discharged within twenty (20) days; or

10.1.7 **Insolvency:** any Security Party is unable or admits inability to pay its debts as they fall due; suspends making payments on any of its debts or announces an intention to do so; becomes insolvent; or has negative net worth (taking into account contingent liabilities); or suffers the declaration of a moratorium in respect of any of its Indebtedness; or

10.1.8 **Dissolution:** any corporate action, Proceedings or other steps are taken to dissolve or wind-up any Security Party unless the Borrowers can demonstrate to the satisfaction of the Lender, by providing an opinion of leading counsel that such corporate action, Proceedings or other steps are frivolous, vexatious or an abuse of the process of the court or an order is made or resolution passed for the dissolution or winding up of any Security Party or a notice is issued convening a meeting for such purpose; or

10.1.9 **Administration:** any petition is presented, notice given or other steps are taken anywhere to appoint an administrator of any Security Party or an administration order is made in relation to any Security Party; or

10.1.10 **Appointment of receivers and managers:** any administrative or other receiver is appointed anywhere of any Security Party or any material part of its assets and/or undertaking or any other steps are taken to enforce any Encumbrance over all or any substantial part of the assets of any Security Party; or

10.1.11 **Compositions:** any corporate action, legal proceedings or other procedures or steps are taken or negotiations commenced, by any Security Party or by any of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its Indebtedness or to proposing any kind of composition, compromise or arrangement involving such company and any of its creditors (excluding always negotiations with holders of preferred shares); or

10.1.12 **Analogous proceedings:** there occurs, in relation to any Security Party, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which, in the reasonable opinion of the Lender, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned in clauses 10.1.6 to 10.1.11 (inclusive) or any Security Party otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or

10.1.13 **Cessation of business:** any Security Party suspends or ceases or threatens to suspend or cease to carry on its business without the prior consent of the Lender; or

10.1.14 **Seizure:** all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, any Security Party are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any Government Entity and the same are not returned to the relevant Security Party within 45 days of such seizure, nationalisation, expropriation or compulsory acquisition; or

10.1.15 **Invalidity:** any of the Security Documents shall at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Security Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any such Security Party shall deny that it has any, or any further, liability thereunder; or

10.1.16 **Unlawfulness:** any Unlawfulness occurs or it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Security Documents or for the Lender to exercise the rights or any of them vested in it under any of the Security Documents or otherwise; or

10.1.17 **Repudiation:** any Security Party repudiates any of the Security Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Security Documents; or

10.1.18 **Encumbrances enforceable:** any Encumbrance (other than Permitted Encumbrances) in respect of any of the property (or part thereof) which is the subject of any of the Security Documents becomes enforceable; or

10.1.19 **Arrest:** a Mortgaged Vessel is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of its Owner and that Owner shall fail to procure the release of such Mortgaged Vessel within a period of fifteen (15) days thereafter; or

10.1.20 **Registration:** the registration of either Mortgaged Vessel under the laws and flag of the Flag State is cancelled or terminated without the prior written consent of the Lender; or

10.1.21 **Unrest:** the Flag State of a Vessel becomes involved in hostilities or civil war or there is a seizure of power in the Flag State by unconstitutional means unless the Owner of the Vessel registered in such Flag State shall have transferred its Vessel onto a new flag acceptable to the Lender within thirty (30) days of the Lender's written request to the Borrowers to effect such transfer; or

10.1.22 **Environmental Incidents:** an Environmental Incident occurs which gives rise, or may give rise, to an Environmental Claim which could, in the opinion of the Lender be expected to have a Material Adverse Effect (i) on the financial condition of any Security Party or the Group taken as a whole or (ii) on the security constituted by any of the Security Documents or the enforceability of that security in accordance with its terms; or

10.1.23 **P&I:** an Owner or the Manager or any other person fails or omits to comply with any requirements of the protection and indemnity association or other insurer with which a Mortgaged Vessel is entered for insurance or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover (including, without limitation, any cover in respect of liability for Environmental Claims arising in jurisdictions where such Mortgaged Vessel operates or trades) is or may be liable to cancellation, qualification or exclusion at any time; or

10.1.24 **Material events:** any other event occurs or circumstance arises which, in the reasonable opinion of the Lender, is likely materially and adversely to affect either (i) the ability of any Security Party to perform all or any of its obligations under or otherwise to comply with the terms of any of the Security Documents to which it is a party or (ii) the security created by any of the Security Documents or (iii) the value or nature of the financial condition of any Security Party (other than the Manager); or

10.1.25 **Required Authorisations:** to the extent it has not been waived, any Required Authorisation is revoked or withheld or modified or is otherwise not granted or fails to remain in full force and effect; or

10.1.26 **Money Laundering:** any Security Party is in breach of or fails to observe any law, requirement, measure or procedure implemented to combat "money laundering" as defined in Article 1 of the Directive (EU) 2015/849 of the European Parliament and of the Council of the European Union of 20 May 2015; or

10.1.27 **Management Agreement**: a Management Agreement is terminated, revoked, suspended, rescinded, transferred, novated or otherwise ceases to remain in full force and effect for any reason except with the prior consent of the Lender; or

10.1.28 **Change of Ownership:** there is any change in the immediate and/or ultimate legal and/or beneficial ownership or control of any of the shares of a Borrower or the Corporate Guarantor from that existing on the Execution Date (and for the avoidance of doubt any change in the ownership of shares of and in the Corporate Guarantor occurring in the normal course of business shall not constitute a breach of this clause); or

10.1.29 **Sanctions:** A Security Party fails to comply with clauses 7.1.25 (Restricted Persons, unlawful activity), 7.1.26 (Sanctions) or 8.1.21 (Sanctions) of this Agreement; or

10.1.30 **Master Agreement**: an Event of Default or Potential Event of Default (in each case as defined in the Master Agreement) has occurred and is continuing under the Master Agreement.

10.2 **Acceleration**

The Lender may at any time after the occurrence of an Event of Default, and only while the same is continuing and has not been remedied or waived, by notice to the Borrowers declare that:

10.2.1 the obligation of the Lender to make its Commitment available shall be terminated, whereupon the Total Commitment shall be reduced to zero forthwith; and/or

10.2.2 the Loan and all interest accrued and all other sums payable whatsoever under the Security Documents have become due and payable, whereupon the same shall, immediately or in accordance with the terms of such notice, become due and payable.

10.3 **Demand Basis**

If, under clause 10.2.2, the Lender has declared the Loan to be due and payable on demand, at any time thereafter the Lender shall by written notice to the Borrowers (a) demand repayment of the Loan on such date as may be specified whereupon, regardless of any other provision of this Agreement, the Loan shall become due and payable on the date so specified together with all interest accrued and all other sums payable under this Agreement or (b) withdraw such declaration with effect from the date specified in such notice.

11 **INDEMNITIES**

11.1 **General indemnity**

Each Borrower agrees to indemnify the Lender on demand, without prejudice to any of the Lender's other rights under any of the Security Documents, against any loss (including loss of Margin) or expense (including, without limitation, Break Costs) which the Lender shall certify as sustained by it as a consequence of any Default, any prepayment of the Loan being made under clauses 4.3, 4.4, 8.2.1(a) or 12.1 or any other repayment or prepayment of the Loan being made otherwise than on an Interest Payment Date relating to the part of the Loan prepaid or repaid; and/or the Loan or an Advance not being made for any reason (excluding any default by the Lender) after the relevant Drawdown Notice has been given.

11.2 **Environmental indemnity**

The Borrowers shall indemnify the Lender on demand and hold it harmless from and against all costs, claims, expenses, payments, charges, losses, demands, liabilities, actions, Proceedings, penalties, fines, damages, judgements, orders, sanctions or other outgoings of whatever nature which may be incurred or made or asserted whensoever against the Lender at any time, whether before or after the repayment in full of principal and interest under this Agreement, arising howsoever out of an Environmental Claim made or asserted against the Lender which would not have been, or been capable of being, made or asserted against the Lender had it not entered into any of the Security Documents or been involved in any of the resulting or associated transactions.

11.3 **Capital adequacy and reserve requirements indemnity**

The Borrowers shall promptly indemnify the Lender on demand against any cost incurred or loss suffered by the Lender as a result of its complying with (i) the minimum reserve requirements from time to time of the European Central Bank (ii) any capital adequacy directive of the European Union and/or (iii) any revised framework for international convergence of capital measurements and capital standards and/or any regulation imposed by any Government Entity in connection therewith, and/or in connection with maintaining required reserves with a relevant national central bank to the extent that such compliance or maintenance relates to the Commitment and/or the Loan or deposits obtained by it to fund the whole or part thereof and to the extent such cost or loss is not recoverable by the Lender under clause 12.2.

12 **UNLAWFULNESS, INCREASED COSTS AND BAIL-IN**

12.1 **Unlawfulness**

If it is or becomes contrary to any law, directive or regulation for the Lender to contribute to the Loan or an Advance or to maintain its Commitment or fund the Loan or an Advance, the Lender shall promptly give notice to the Borrowers whereupon (a) the Loan and Commitment shall be reduced to zero and (b) the Borrowers shall be obliged to prepay the Loan either (i) forthwith or (ii) on a future specified date not being earlier than the latest date permitted by the relevant law, directive or regulation together with interest accrued to the date of prepayment and all other sums payable by the Borrowers under this Agreement.

Provided that if circumstances arise which would result in a notification under this clause 12.1 then, prior to giving such notice, the Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Security Documents to another office of the Lender not affected by the circumstances but the Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

12.2 **Increased costs**

If the result of any change in, or in the interpretation or application of, or the introduction of, any law or any regulation, request or requirement (whether or not having the force of law, but, if not having the force of law, with which the Lender or, as the case may be, its holding company habitually complies), including (without limitation) those relating to Taxation, capital adequacy, liquidity, reserve assets, cash ratio deposits and special deposits, is to:

12.2.1 subject the Lender to Taxes or change the basis of Taxation of the Lender with respect to any payment under any of the Security Documents (other than Taxes or Taxation on the overall net income, profits or gains of the Lender imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or

1.2.2.2increase the cost to, or impose an additional cost on, the Lender or its holding company in making or keeping the Commitment available or maintaining or funding all or part of the Loan; and/or

1.2.2.3reduce the amount payable or the effective return to the Lender under any of the Security Documents; and/or

1.2.2.4reduce the Lender's or its holding company's rate of return on its overall capital by reason of a change in the manner in which it is required to allocate capital resources to its obligations under any of the Security Documents; and/or

1.2.2.5require the Lender or its holding company to make a payment or forgo a return on or calculated by reference to any amount received or receivable by it under any of the Security Documents; and/or

1.2.2.6require the Lender or its holding company to incur or sustain a loss (including a loss of future potential profits) by reason of being obliged to deduct all or part of the Commitment or the Loan from its capital for regulatory purposes,

then and in each such case (subject to clause 12.3):

a. the Lender shall notify the Borrowers in writing of such event promptly upon its becoming aware of the same; and

b. the Borrowers shall on demand made at any time whether or not the Loan has been repaid, pay to the Lender the amount which the Lender specifies (in a certificate setting forth the basis of the computation of such amount but not including any matters which the Lender or its holding company regards as confidential) is required to compensate the Lender and/or (as the case may be) its holding company for such liability to Taxes, cost, reduction, payment, forgone return or loss.

For the purposes of this clause 12.2 “holding company” means the company or entity (if any) within the consolidated supervision of which the Lender is included.

12.3 **Exception**

Nothing in clause 12. shall entitle the Lender to receive any amount in respect of compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same is the subject of an additional payment under clause 6.6.

12.4 **Contractual recognition of bail-in**

Notwithstanding any other term of any Security Document or any other agreement, arrangement or understanding between the parties to this Agreement, each such party acknowledges and accepts that any liability of any party to this Agreement to any other party to this Agreement under or in connection with the Security Documents may be subject to any applicable Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

a. any applicable Bail-In Action in relation to any such liability, including (without limitation):

ii. a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

iii. a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

iv. a cancellation of any such liability; and

b. a variation of any term of any Security Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability

13 APPLICATION OF MONEYS, SET OFF, PRO-RATA PAYMENTS AND MISCELLANEOUS

13.1 Application of moneys

All moneys received by the Lender under or pursuant to any of the Security Documents and expressed to be applicable in accordance with the provisions of this clause 13.1 or in a manner determined in the Lender's discretion, shall be applied in the following manner:

13.1.1 first, in or towards payment, in such order as the Lender may decide, of any unpaid costs and expenses of the Lender under any of the Security Documents;

13.1.2 secondly, in or towards payment of any fees payable to the Lender under, or in relation to, the Security Documents which remain unpaid;

13.1.3 thirdly, in or towards payment to the Lender of any accrued default interest owing pursuant to clause 3.4 but remains unpaid;

13.1.4 fourthly, in or towards payment to the Lender of any accrued interest owing in respect of the Loan which shall have become due under any of the Security Documents but remains unpaid;

13.1.5 fifthly, in or towards payment (i) to the Lender of any due but unpaid Repayment Instalments and (ii) to the Lender of any sum which shall have become due under the Master Agreement but remains unpaid;

13.1.6 sixthly, in or towards payment to the Lender in application in repayment of the Loan in accordance with clause 4.6.2;

13.1.7 seventhly, in or towards payment for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan repaid and which amounts are so payable under this Agreement and any other sum relating to the Loan which shall have become due under any of the Security Documents but remains unpaid; and

13.1.8 eighthly, the surplus (if any) shall be paid to the Borrowers or to whomsoever else may then be entitled to receive such surplus.

The order of application set out in clauses 13.1.1 to 13.1.8 may be varied by the Lender without any reference to, or consent or approval from, the Borrowers.

13.2 **Set-off**

13.2.1 Each Borrower irrevocably authorises the Lender (without prejudice to any of the Lender's rights at law, in equity or otherwise), following the occurrence of an Event of Default which is continuing and without notice to the Borrowers, to apply any credit balance to which any Borrower is then entitled standing upon any account of any Borrower with any branch of the Lender in or towards satisfaction of any sum due and payable from any Borrower to the Lender under any of the Security Documents. For this purpose, the Lender is authorised to purchase with the moneys standing to the credit of such account such other currencies as may be necessary to effect such application.

13.2.2 The Lender shall not be obliged to exercise any right given to it by this clause 13.2. The Lender shall notify the Borrowers forthwith upon the exercise or purported exercise of any right of set off giving full details in relation thereto.

13.2.3 Nothing in this clause 13.2 shall be effective to create a charge or other security interest.

13.3 **Further assurance**

Each Borrower undertakes with the Lender that the Security Documents shall both at the date of execution and delivery thereof and throughout the Facility Period be valid and binding obligations of the respective parties thereto which, with the rights of the Lender thereunder, are enforceable in accordance with their respective terms and that it will, at its expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Lender may be necessary for perfecting the security contemplated or constituted by the Security Documents.

13.4 **Conflicts**

In the event of any conflict between this Agreement and any of the other Security Documents, the provisions of this Agreement shall prevail.

13.5 **No implied waivers, remedies cumulative**

No failure or delay on the part of the Lender to exercise any power, right or remedy under any of the Security Documents shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Security Documents are cumulative and are not exclusive of any remedies provided by law. No waiver by the Lender shall be effective unless it is in writing.

13.6 **Severability**

If any provision of this Agreement is prohibited, invalid, illegal or unenforceable in any jurisdiction, such prohibition, invalidity, illegality or unenforceability shall not affect or impair howsoever the remaining provisions thereof or affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.7 **Force Majeure**

Regardless of any other provision of this Agreement, the Lender shall not be liable for any failure to perform the whole or any part of this Agreement resulting directly or indirectly from (i) the action or inaction or purported action of any governmental or local authority (ii) any strike, lockout, boycott or blockade (including any strike, lockout, boycott or blockade effected by or upon the Lender or any of its representatives or employees) (iii) any act of God (iv) any act of war (whether declared or not) or terrorism or (v) any other circumstances whatsoever outside the Lender’s control.

13.8 **Amendments**

This Agreement may be amended or varied only by an instrument in writing executed by all parties hereto who irrevocably agree that the provisions of this clause 13.8 may not be waived or modified except by an instrument in writing to that effect signed by all of them.

13.9 **Counterparts**

This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same agreement which may be sufficiently evidenced by one counterpart.

13.10 **English language**

All documents required to be delivered under and/or supplied whensoever in connection howsoever with any of the Security Documents and all notices, communications, information and other written material whatsoever given or provided in connection howsoever therewith must either be in the English language or accompanied, at the Lender’s request, by an English translation certified by a notary, lawyer or consulate acceptable to the Lender.

14 **ACCOUNTS**

14.1 **General**

Each Borrower undertakes with the Lender that it will ensure that:

14.1.1 it will on or before the Drawdown Date, open an Earnings Account in its name; and

14.1.2 all moneys payable to any Borrower in respect of the Earnings of its Mortgaged Vessel shall, unless and until the Lender directs to the contrary pursuant to the provisions of the relevant Mortgage, be paid to the Earnings Account in the name of that Borrower, Provided however that if any of the moneys paid to such Earnings Account are payable in a currency other than USD, they shall be paid to a sub-account of that Earnings Account denominated in such currency (except that if the relevant Borrower fails to open such a sub-account, the Lender shall then convert such moneys into USD at the Lender's spot rate of exchange at the relevant time for the purchase of USD with such currency and the term "spot rate of exchange" shall include any premium and costs of exchange payable in connection with the purchase of USD with such currency).

14.2 **Earnings Account: withdrawals**

Any sums standing to the credit of an Earnings Account may be applied by the Borrowers from time to time, subject to no Event of Default having occurred which is continuing unremedied and unwaived, in (i) making the payments required under this Agreement or the Master Agreement (ii) the supply, crewing, management, maintenance, repair, insurance, operation and trading of the Mortgaged Vessels and (iii) payment of dividends to their shareholders annually.

14.3 **Application of accounts**

At any time after the occurrence of an Event of Default and while the same is continuing unwaived and unremedied, the Lender may, without prior notice to the Borrowers apply all moneys then standing to the credit of the Earnings Account (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums due to Lender under the Security Documents at the time of such applications in the manner specified in clause 13.1. Following such application, the Lender shall give notice thereof to the Borrowers.

15 **ASSIGNMENT, TRANSFER AND LENDING OFFICE**

15.1 **Benefit and burden**

This Agreement shall be binding upon, and ensure for the benefit of, the Lender and the Borrowers and their respective successors in title.

15.2 **No assignment by Borrowers**

No Borrower may assign or transfer any of its rights or obligations under this Agreement.

15.3 **Transfer by Lender**

The Lender may at any time (i) change its office through which the Loan is made available or (ii) cause all or any part of its rights, benefits and/or obligations under this Agreement and the other Security Documents to be transferred or assigned without the consent of the Borrowers to a wholly-owned banking subsidiary or associated company of the Lender or to any third party (in either case a "**Transferee Lender**") provided always that any such Transferee Lender, by delivery of such undertaking as the Lender may approve, becomes bound by the terms of this Agreement and agrees to perform all or, as the case may be, relevant part of the Lender's obligations under this Agreement the rights and equities of the Borrowers or of any other Security Party referred to above include, but are not limited to, any right of set-off and any other kind of cross-claim.

15.4 **Documenting transfers**

If the Lender assigns all or any part of its rights or transfers all or any part of its rights, benefits and/or obligations as provided in clause 15.3, each Borrower undertakes, immediately on being requested to do so by the Lender and at the cost of the Transferee Lender, to enter into, and procure that the other Security Parties shall (at the cost of the Transferee Lender) enter into, such documents as may be necessary or desirable to transfer to the Transferee Lender all or the relevant part of the Lender's interest in the Security Documents and all relevant references in this Agreement to the Lender shall thereafter be construed as a reference to the Lender and/or its Transferee Lender (as the case may be) to the extent of their respective interests. For the avoidance of doubt there will be no expense for the Borrower in connection with an assignment or transfer, as provided in clauses 15.3 and 15.5.

15.5 **Sub-Participation**

The Lender may sub-participate all or any part of its rights and/or obligations under the Security Documents at its own expense without the consent of, or notice to, the Borrowers. Any such sub-participation shall have no effect on the Lender's rights under the Security Documents and shall not affect the Borrowers at all.

15.6 **Disclosure of information**

The Lender may disclose to a prospective assignee, transferee or to any other person (a "**Prospective Assignee**") who may propose entering into contractual relations with the Lender in relation to this Agreement such information about the Borrowers and/or the other Security Parties as the Lender shall consider appropriate, but only if the Prospective assignee has first undertaken to the Borrowers to keep secret and confidential and, not without the prior written consent of the Borrowers, disclose to any third party, any of the information, reports or documents to be supplied by the Lender.

15.7 **No additional costs**

If at the time of, or immediately after, any assignment or transfer by the Lender of all or any part of its rights or benefits or obligations under this Agreement, or any change in the office through which it lends for the purposes of this Agreement, the Borrowers would be obliged to pay to the Lender or, as the case may be, the Transferee Lender under clause 3.5, 6.6 or clause 12.2 any sum in excess of the sum (if any) which it would have been obliged to pay to the Lender or the Transferor Lender, as the case may be, under the relevant clause in the absence of such assignment, transfer or change, the Borrowers shall not be obliged to pay that excess.

16 NOTICES AND OTHER MATTERS

16.1 Notices

16.1.1 unless otherwise specifically provided herein, every notice under or in connection with this Agreement shall be given in English by letter delivered personally and/or sent by post and/or transmitted by fax and/or transmitted electronically;

16.1.2 in this clause "notice" includes any demand, consent, authorisation, approval, instruction, certificate, request, waiver or other communication.

16.2 Addresses for communications, effective date of notices

16.2.1 Subject to clause 16.2.2 and clause 16.2.5 notices to the Borrowers shall be deemed to have been given and shall take effect when received in full legible form by the Borrowers at the address and/or the fax number and/or email address appearing below (or at such other address or fax number and/or email address as the Borrowers may hereafter specify for such purpose to the Lender by notice in writing);

Address: c/o Eurodry Ltd.
4 Messogiou & Evropis Street
151 24 Maroussi
Greece

Fax: +30 211 1804097
Attn: Anastasios Aslidis / Simos Pariaros
Email: aha@eurodry.gr / smp@eurodry.gr

16.2.2 notwithstanding the provisions of clause 16.2.1 or clause 16.2.5, a notice of Default and/or a notice given pursuant to clause 10.2 or clause 10.3 to the Borrowers shall be deemed to have been given and shall take effect when delivered, sent or transmitted by the Lender to the Borrowers to the address or fax number or email address referred to in clause 16.2.1;

16.2.3 subject to clause 16.2.5, notices to the Lender shall be deemed to be given, and shall take effect, when received in full legible form by the Lender at the address and/or the fax number and/or email address appearing below (or at any such other address or fax number and/or email address as the Lender may hereafter specify for such purpose to the Borrowers in writing);

Address: 170 Alexandras Ave.
11521 Athens
Greece

Fax No. +30 210 3739783
Attention: The Manager
Email: Shipping@piraeusbank.gr

16.2.4 if under clause 16.2.1 or clause 16.2.3 a notice would be deemed to have been given and effective on a day which is not a working day in the place of receipt or is outside the normal business hours in the place of receipt, the notice shall be deemed to have been given and to have taken effect at the opening of business on the next working day in such place.

16.3 **Electronic Communication**

16.3.1 Any communication to be made by and/or between the Lender and the Security Parties or any of them under or in connection with the Security Documents or any of them may be made by electronic mail or other electronic means, if and provided that all such parties:

(a) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(b) notify each other of any change to their electronic mail address or any other such information supplied by them.

16.3.2 Any electronic communication made by and/or between the Lender and the Security Parties or any of them will be effective only when actually received in readable form

16.3.3 The Lender and the Borrowers further agree that information may be sent via email to (or from) third parties involved in the provision of services. In particular, the Borrowers are aware that

(a) the unencrypted information is transported over an open, publicly accessible network and can, in principle, be viewed by others, thereby allowing conclusions to be drawn about a banking relationship;

(b) the information can be changed and manipulated by a third party;

(c) the sender's identity (sender of the e-mail) can be assumed or otherwise manipulated;

(d) the exchange of information can be delayed or disrupted due to transmission errors, technical faults, disruptions, malfunctions, illegal interventions, network overload, the malicious blocking of electronic access by third parties, or other shortcomings on the part of the network provider. In certain situations, time-critical orders and instructions might not be processed on time;

(e) the Lender assumes no liability for any loss incurred as a result of manipulation of the e-mail address or content nor is it liable for any loss incurred by the Borrowers and any other Security Party due to interruptions and delays in transmission caused by technical problems.

16.3.4 The Lender is entitled to assume that all the orders and instructions, and communications in general, received from the Borrowers or a third party are from an authorized individual, irrespective of the existing signatory rights in accordance with the commercial register (or any other applicable equivalent document) or the specimen signature provided to the Lender. The Borrowers shall further procure that all third parties referred to herein agree with the use of emails and are aware of the above terms and conditions related to the use of email.

17 **GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with it is governed by and shall be construed in accordance with English law.

18 JURISDICTION

18.1 Exclusive Jurisdiction

For the benefit of the Lender, and subject to clause 18.4 below, each Borrower hereby irrevocably agrees that the courts of England shall have exclusive jurisdiction:

18.1.1 to settle any disputes or other matters whatsoever arising under or in connection with this Agreement or any non-contractual obligation arising out of or in connection with this Agreement and any disputes or other such matters arising in connection with the negotiation, validity or enforceability of this Agreement or any part thereof, whether the alleged liability shall arise under the laws of England or under the laws of some other country and regardless of whether a particular cause of action may successfully be brought in the English courts; and

18.1.2 to grant interim remedies or other provisional or protective relief.

18.2 Submission and service of process

Each Borrower accordingly irrevocably and unconditionally submits to the jurisdiction of the English courts. Without prejudice to any other mode of service each Borrower:

18.2.1 irrevocably empowers and appoints Messrs Shoreside Agents Ltd at present of 11 The Timber Yard, London N1 6ND, England, as its agent to receive and accept on its behalf any process or other document relating to any proceedings before the English courts in connection with this Agreement;

18.2.2 agrees to maintain such an agent for service of process in England from the date hereof until the end of the Facility Period;

18.2.3 agrees that failure by a process agent to notify the Borrowers of service of process will not invalidate the proceedings concerned;

18.2.4 without prejudice to the effectiveness of service of process on its agent under clause 18.2.1 above but as an alternative method, consents to the service of process relating to any such proceedings by mailing or delivering a copy of the process to its address for the time being applying under clause 16.2; and

18.2.5 agrees that if the appointment of any person mentioned in clause 18.2.1 ceases to be effective, the Borrowers shall immediately appoint a further person in England to accept service of process on its behalf in England and, failing such appointment within seven (7) days the Lender shall thereupon be entitled and is hereby irrevocably authorised by the Borrowers in those circumstances to appoint such person by notice to the Borrowers.

18.3 **Forum non conveniens and enforcement abroad**

Each Borrower:

18.3.1 waives any right and agrees not to apply to the English court or other court in any jurisdiction whatsoever to stay or strike out any proceedings commenced in England on the ground that England is an inappropriate forum and/or that Proceedings have been or will be started in any other jurisdiction in connection with any dispute or related matter falling within clause 18.1; and

18.3.2 agrees that a judgment or order of an English court in a dispute or other matter falling within clause 18.1 shall be conclusive and binding on the Borrowers and may be enforced against it in the courts of any other jurisdiction.

18.4 **Right of Lender, but not the Borrowers, to bring proceedings in any other jurisdiction**

18.4.1 Nothing in this clause 18 limits the right of the Lender to bring Proceedings, including third party proceedings, against the Borrowers or any of them, or to apply for interim remedies, in connection with this Agreement in any other court and/or concurrently in more than one jurisdiction;

18.4.2 the obtaining by the Lender of judgment in one jurisdiction shall not prevent the Lender from bringing or continuing proceedings in any other jurisdiction, whether or not these shall be founded on the same cause of action.

18.5 **Enforceability despite invalidity of Agreement**

Without prejudice to the generality of clause 13.6, the jurisdiction agreement contained in this clause 18 shall be severable from the rest of this Agreement and shall remain valid, binding and in full force and shall continue to apply notwithstanding this Agreement or any part thereof being held to be avoided, rescinded, terminated, discharged, frustrated, invalid, unenforceable, illegal and/or otherwise of no effect for any reason.

18.6 **Effect in relation to claims by and against non-parties**

18.6.1 For the purpose of this clause "Foreign Proceedings" shall mean any Proceedings except proceedings brought or pursued in England arising out of or in connection with (i) or in any way related to any of the Security Documents or any assets subject thereto or (ii) any action of any kind whatsoever taken by the Lender pursuant thereto or which would, if brought by the Borrowers or any of them against the Lender, have been required to be brought in the English courts;

18.6.2 No Borrower shall not bring or pursue any Foreign Proceedings against the Lender and each Borrower shall use its best endeavours to prevent persons not party to this Agreement from bringing or pursuing any Foreign Proceedings against the Lender;

18.6.3 If, for any reason whatsoever, any Security Party and/or any person connected howsoever with any Security Party (including but not limited to any shareholder of any Borrower) brings or pursues against the Lender any Foreign Proceedings, the Borrowers shall indemnify the Lender on demand in respect of any and all claims, losses, damages, demands, causes of action, liabilities, costs and expenses (including, but not limited to, legal costs) of whatsoever nature howsoever arising from or in connection with such Foreign Proceedings which the Lender certifies as having been incurred by it;

18.6.4 The Lender and the Borrowers hereby agree and declare that the benefit of this clause 18 shall extend to and may be enforced by any officer, employee, agent or business associate of the Lender against whom any Borrower brings a claim in connection howsoever with any of the Security Documents or any assets subject thereto or any action of any kind whatsoever taken by, or on behalf of or for the purported benefit of the Lender pursuant thereto or which, if it were brought against the Lender, would fall within the material scope of clause 18.1. In those circumstances this clause 18 shall be read and construed as if references to the Lender were references to such officer, employee, agent or business associate, as the case may be.

19 **BORROWERS’ OBLIGATIONS**

19.1 **Joint and several**

Regardless of any other provision in any of the Security Documents, all obligations and liabilities whatsoever of the Borrowers herein contained are joint and several and shall be construed accordingly. Each of the Borrowers agrees and consents to be bound by the Security Documents to which it becomes a party notwithstanding that the other Borrowers may not do so or be effectually bound and notwithstanding that any of the Security Documents may be invalid or unenforceable against the other Borrowers, whether or not the deficiency is known to the Lender.

19.2 **Borrowers as principal debtors**

Each Borrower acknowledges that it is a principal and original debtor in respect of all amounts which may become payable by the Borrowers in accordance with the terms of any of the Security Documents and agrees that the Lender may continue to treat it as such, whether or not the Lender is or becomes aware that such Borrower is or has become a surety for the other Borrowers.

19.3 **Indemnity**

The Borrowers undertake to keep the Lender fully indemnified on demand against all claims, damages, losses, costs and expenses arising from any failure of any Borrower to perform or discharge any purported obligation or liability of that Borrower which would have been the subject of this Agreement or any other Security Document had it been valid and enforceable and which is not or ceases to be valid and enforceable against the other Borrowers on any ground whatsoever, whether or not known to the Lender including, without limitation, any irregular exercise or absence of any corporate power or lack of authority of, or breach of duty by, any person purporting to act on behalf of the other Borrowers (or any legal or other limitation, whether under the Limitation Acts or otherwise or any disability or death, bankruptcy, unsoundness of mind, insolvency, liquidation, dissolution, winding up, administration, receivership, amalgamation, reconstruction or any other incapacity of any person whatsoever (including, in the case of a partnership, a termination or change in the composition of the partnership) or any change of name or style or constitution of any Security Party)).

19.4 **Liability unconditional**

None of the obligations or liabilities of the Borrowers under any Security Document shall be discharged or reduced by reason of:

19.4.1 the death, bankruptcy, unsoundness of mind, insolvency, liquidation, dissolution, winding-up, administration, receivership, amalgamation, reconstruction or other incapacity of any person whatsoever (including, in the case of a partnership, a termination or change in the composition of the partnership) or any change of name or style or constitution of any Borrower or any other person liable;

19.4.2 the Lender granting any time, indulgence or concession to, or compounding with, discharging, releasing or varying the liability of, any Borrower or any other person liable or renewing, determining, varying or increasing any accommodation, facility or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting, varying any compromise, arrangement or settlement or omitting to claim or enforce payment from any Borrower or any other person liable; or

19.4.3 anything done or omitted which but for this provision might operate to exonerate the Borrowers or any of them.

19.5 **Recourse to other security**

The Lender shall not be obliged to make any claim or demand or to resort to any security or other means of payment now or hereafter held by or available to them for enforcing any of the Security Documents against any Borrower or any other person liable and no action taken or omitted by the Lender in connection with any such security or other means of payment will discharge, reduce, prejudice or affect the liability of the Borrowers under the Security Documents to which any of them is, or is to be, a party.

19.6 **Waiver of Borrowers' rights**

Each Borrower agrees with the Lender that, throughout the Facility Period, it will not, without the prior written consent of the Lender:

19.6.1 exercise any right of subrogation, reimbursement and indemnity against the other Borrowers or any other person liable under the Security Documents;

19.6.2 demand or accept repayment in whole or in part of any Indebtedness now or hereafter due to such Borrower from the other Borrower or from any other person liable for such Indebtedness or demand or accept any guarantee against financial loss or any document or instrument created or evidencing an Encumbrance in respect of the same or dispose of the same;

19.6.3 take any steps to enforce any right against the other Borrowers or any other person liable in respect of any such moneys; or

19.6.4 claim any set-off or counterclaim against the other Borrowers or any other person liable or claim or prove in competition with the Lender in the liquidation of the other Borrowers or any other person liable or have the benefit of, or share in, any payment from or composition with, the other Borrowers or any other person liable or any security granted under any Security Document now or hereafter held by the Lender for any moneys owing under this Agreement or for the obligations or liabilities of any other person liable but so that, if so directed by the Lender, it will prove for the whole or any part of its claim in the liquidation of the other Borrowers or other person liable on terms that the benefit of such proof and all money received by it in respect thereof shall be held on trust for the Lender and applied in or towards discharge of any moneys owing under this Agreement in such manner as the Lender shall require

Schedule 1

Form of Drawdown Notice

To: Piraeus Bank S.A.

170 Alexandras Ave.
11521 Athens
Greece

[●] 2022

Dear Sirs

Re: Facility agreement dated [●] 2022 in respect of a loan of up to USD20,000,000 (the "Facility Agreement") made between (1) Molyvos Shipping Ltd of the Marshall Islands and Santa Cruz Shipowners Ltd of Liberia as joint and several Borrowers and (2) Piraeus Bank S.A. as Lender

1. We refer to the Facility Agreement. Words and expressions whose meanings are defined therein shall have the same meanings when used herein.

2. We hereby give you notice that we wish to borrow Advance [A][B], as follows:

   (a) Amount: USD[ ].

   (b) Drawdown Date: [ ] 2022

   (c) The Interest Periods for the Advance shall be [three] months.

3. Payment Instructions: : We hereby instruct you to pay USD[ ] to [ ] at account no. at [ ];

4. We confirm that:

(a) no Default has occurred and is continuing;

(b) the representations and warranties contained in clause 7 of the Facility Agreement are true and correct at the date hereof as if made with respect to the facts and circumstances existing at such date;

(c) the borrowing to be effected by the drawdown of such Advance will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise howsoever) to be exceeded;

(d) there has been no material adverse change in our financial position or in the consolidated financial position of the Borrowers or the Corporate Guarantor from that described by us to the Lender in the negotiation of the Facility Agreement and/or in any documents or statements already delivered to the Lender in connection therewith;

(e) there are no Required Authorisations;

(f) there has occurred nothing which would have a Material Adverse Effect;

(g) no part of the proceeds of the Advance shall be used for the purpose of acquiring shares in the share capital of the Lender or other banks and/or financial institutions or acquiring hybrid capital debentures (τίτλους υβριδικών κεφαλαίων) of the Lender or other banks and/or financial institutions; and

(h) [the Lender, shall by debiting the Earnings Account of Borrower [A] [B], deduct from the Loan proceeds any amount of the fees referred to in Clause 5.1 of the Facility Agreement which is due and payable.]

By ……………………………..

Authorised Signatory
MOLYVOS SHIPPING LTD
SANTA CRUZ SHIPOWNERS LTD

Schedule 2

Conditions precedent

Part 1

(referred to in clause 9.1)

(a) Corporate documents

Certified Copies of all documents which evidence or relate to the constitution of each Security Party and its current corporate existence;

(b) Corporate authorities

(i) Certified Copies of resolutions of the directors of each Security Party and shareholders of each Borrower approving such of the Security Documents to which such Security Party is a party and authorising the execution and delivery thereof and performance of such Security Party's obligations thereunder, additionally certified by an officer of such Security Party, as having been duly adopted by the directors and shareholders of such Security Party and not having been amended, modified or revoked and being in full force and effect; and

(ii) an original of any power of attorney issued by each Security Party pursuant to such resolutions;

(c) Required Authorisations

a certificate (dated no earlier than 5 Banking Days prior to the Drawdown Date) that there are no Required Authorisations or that there are no Required Authorisations except those described in such certificate and Certified Copies of which as duly executed (including any conditions and/or documents ancillary thereto) are appended thereto;

(d) Certificate of incumbency

a list of directors, shareholders and officers of each Security Party specifying the names and positions of such persons, certified by an officer of the relevant Security Party to be true, complete and up to date;

(e) Shareholders

evidence acceptable to the Lender that all of the issued shares of and in each Borrower are issued in registered form and legally owned by the Corporate Guarantor and ultimately beneficially owned and controlled by the Corporate Guarantor;

(f) Security Documents

the Corporate Guarantee, the Master Agreement, the Master Agreement Security Deed, the Earnings Accounts Pledges and the Shares Pledges duly executed and delivered, and all documents to be executed and delivered thereunder;

(g) Declaration of compliance / "know your customer"

written confirmation (in a form acceptable to the Lender) that:

(i) each Borrower has complied at all times and in all respects with (i) any relevant employment legislation and employment regulations applicable to it, (ii) all documentation required by the Lender in relation to the Lender's "know your customer" requirements and (iii) all documentation required by the Lender for the opening of its Earnings Account with the Lender; and

(ii) the Corporate Guarantor has complied at all times and in all respects with all documentation required by the Lender in relation to the Lender's "know your customer" requirements; and

(h) process agent

a letter from the agent for receipt of service of proceedings referred to in clause 18.2.1 accepting its appointment under the said clause and under each of the other Security Documents in which it is or is to be appointed as the agent for any Security Party.

Part 2

(a) Copies of Underlying Documents

a Certified Copy of each Management Agreement, any Extended Employment Contract and all ISM Code Documentation for the relevant Vessel;

(b) Evidence satisfactory to the Lender in respect of the relevant Vessel:

(i) Registration and Encumbrances

is registered in the name of the relevant Owner through the relevant Registry and that such Vessel, her Earnings, Insurances and Requisition Compensation are free of Encumbrances except Permitted Encumbrances (such evidence to include relevant certificates issued by the relevant Flag State and results of searches carried out against the said Registry by the Lender or its lawyers);

(ii) Classification

maintains the Classification free of all overdue recommendations and requirements of the Classification Society affecting the Classification;

(iii) Insurance

is insured in accordance with the provisions of the relevant Ship Security Documents and all requirements of such Ship Security Documents in respect of such insurance have been complied with (including without limitation, receipt by the Lender of customary brokers' letters of undertaking regarding the placing of hull and machinery and war risks cover and confirmation from the protection and indemnity association or other insurer with which such Vessel is, or is to be, entered for insurance or insured against protection and indemnity risks, that any necessary declarations required by the association or insurer for the removal of any oil pollution exclusion have been made and that any such exclusion does not apply to such Vessel); and

(iv) Management

is managed by the Manager on terms in all material respects acceptable to the Lender;

(c) Security Documents

the Mortgage, the General Assignment and any Charter Assignment duly executed by the relevant Borrower and the Manager's Undertaking duly executed by the Manager;

(d) Notices of assignment and acknowledgments

counterpart originals of duly executed notices of assignment and acknowledgments (where relevant) required by the terms of the Security Documents referred to in (c) above in the forms prescribed by those Security Documents and any other documents required to be delivered pursuant thereto;

(e) Mortgage registration

evidence that the relevant Mortgage has been duly registered against the relevant Vessel in accordance with the laws of the relevant Registry;

(f) Bank accounts

evidence that:

(i) the Earnings Accounts have been opened by the Borrowers and duly completed mandates in relation thereto have been delivered to the Lender;

(ii) the Safekeeping Securities Account has been opened by the Corporate Guarantor, and duly completed mandates in relation thereto have been delivered to the Lender; and

(iii) all mandate forms and other legal documents required for the opening of an account under any applicable law, such as the account for the securitization of the Shares Pledges, as well as signature cards and properly adopted authorizations have been duly delivered to and have been accepted by the compliance department of the Lender;

(g) Laws of Marshall Islands: opinion

an opinion of Messrs Ince, special legal advisers to the Lender on the laws of Marshal Islands;

(a) Laws of Liberia: opinion

an opinion of Messrs Ince, special legal advisers to the Lender on the laws of Liberia;

(h) ISPS Code

evidence satisfactory to the Lender that each Vessel is subject to a ship security plan which complies with the ISPS Code and a copy of the ISSC for each Vessel;

(i) DOC and Application for SMC

Certified Copies of the DOC, ISSC, (if applicable) IAPP and EIAPP Certificates in respect of each Vessel and a Certified Copy of the SMC therefor and evidence that each Vessel and the Manager are in compliance with the ISM Code;

(j) Additional Vessels' Certificates

Certified Copies of Classification Certificate, Safety Radio Equipment Certificate, Safety Equipment Certificate, International Oil Pollution Prevention Certificate, International Loadline Certificate, Safety Construction Certificate, International Tonnage Certificate, Minimum Safety Manning Certificate and Continuous Synopsis Record for each Vessel;

(k) Lightweight

evidence satisfactory to the Lender of the Lightweight tonnage of each Vessel;

(l) Valuation

a satisfactory, in the opinion of the Lender, Valuation Amount (at the cost of the Borrowers) of each Vessel addressed to the Lender from an Approved Broker dated no more than 20 days before the Drawdown Date;

(m) Manager’s confirmation

written confirmation addressed by the Manager to the Lender that the representations and warranties set out in clause 7.1.22 (Environmental Matters) and clause 7.1.23 (ISM Code) are true and correct;

(n) Insurance Report

a written report from a maritime insurance consultant or broker acceptable to the Lender in a form and content acceptable to the Lender (at the cost of the Borrowers) in respect of the insurances on each Vessel which report shall certify that such insurances are placed through or with insurance brokers and clubs, in amounts, covering risks and on terms acceptable to the Lender and that the same are in accordance with the terms of the relevant Mortgage in respect of the relevant Vessel;

(o) Fees

evidence that all fees due and payable have been paid in full;

(p) Material Adverse Effect

the Lender is satisfied that there has occurred nothing which would have a Material Adverse Effect, including in respect of the Manager;

(q) MII and MAP Policy premium

evidence that the Borrowers have reimbursed the Lender in the amount of the first annual premium or, as the case may be, any additional premium for the MII and MAP Policy; and

(r) Further conditions precedent

such further evidence or opinions as may reasonably be required by the Lender.

Schedule 3

Form of Compliance Certificate

To: Piraeus Bank S.A.

170 Alexandras Ave.
11521 Athens
Greece

From: Eurodry Ltd.

Date [ ]

Dear Sirs

Facility agreement dated [●] 2022 in respect of a loan of up to USD20,000,000 (the "Facility Agreement") made between (1) Molyvos Shipping Ltd of the Marshall Islands and Santa Cruz Shipowners Ltd of Liberia as joint and several Borrowers and (2) Piraeus Bank S.A. as Lender

We refer to the facility Agreement. Words and expressions whose meanings are defined in the Facility Agreement shall have the same meanings when used herein.

We hereby confirm that [except as stated below] as at the date hereof to the best of our knowledge and belief after due inquiry:-

1. all the Borrowers' financial covenants in the Facility Agreement set out in clause 8 are being fully complied with, and, in particular, by reference to the latest audited financial statements, management accounts and all other current relevant information available to us:

   (a) the Net Worth of the Group is USD [ ];

   (b) the Total Liabilities are USD [ ] and the Total Assets (adjusted for market values of vessels calculated in accordance with clause 8.2.5(i)) are USD [ ]; and

   (c) the Total Liabilities divided by the Total Assets (each net of cash balance) (adjusted for market values of vessels calculated in accordance with clause 8.2.5(i)) is [ ]%;

2. no Default has occurred which is continuing;

3. the representations set out in clause 7 of the Facility Agreement are true and accurate with reference to all facts and circumstances now existing and all Required Authorisations have been obtained and are in full force and effect.

[State any exceptions/qualifications to the above statements]

Yours faithfully

Eurodry Ltd.

By________________________
Chief Financial Officer: Eurodry Ltd.

Schedule 4

Form of Sustainability Certificate

To: Piraeus Bank S.A.

170 Alexandras Ave.
11521 Athens
Greece

From: Eurodry Ltd.

Date [ ]

Dear Sirs

Facility agreement dated [●] 2022 in respect of a loan of up to USD20,000,000 (the "Facility Agreement") made between (1) Molyvos Shipping Ltd of the Marshall Islands and Santa Cruz Shipowners Ltd of Liberia as joint and several Borrowers and (2) Piraeus Bank S.A. as Lender

1. We refer to the facility Agreement. This is a Sustainability Certificate. Words and expressions whose meanings are defined in the Facility Agreement shall have the same meanings when used herein.

2. We confirm that as at [●], the AER of [Vessel A/Vessel B] was [●], [resulting in a Margin [reduction/increase] of [●]% per annum]/[and therefore the Margin will remain unchanged] in respect of the relevant Advance(s) until the end of the next Pricing Adjustment Period.

3. The AER has been calculated as follows:

   [*Calculation*]

4. The above calculation is based on the attached documents.

Yours faithfully

Eurodry Ltd.

By________________________

[Director: [**Molyvos Shipping Ltd] [Santa Cruz Shipowners Ltd]**

[[Chief Executive Officer] [Chief Financial Officer]: **Eurodry Ltd.**]

Execution Page

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

SIGNED by **STEFANIA KARMIRI** attorney-in-fact for and on behalf of **MOLYVOS SHIPPING LTD** pursuant to a Power of Attorney dated 26 September 2022	)))))	 ..../s/ Stefania Karmiri........ Attorney-in-fact
SIGNED by **STEFANIA KARMIRI** attorney-in-fact for and on behalf of **SANTA CRUZ SHIPOWNERS LTD** pursuant to a Power of Attorney dated 26 September 2022	)))))	 ..../s/ Stefania Karmiri........ Attorney-in-fact
SIGNED by OLGA VOUTSA and by KONSTANTNOS KONTOPOULOS for and on behalf of **PIRAEUS BANK S.A.**	))))	 /s/ Olga Voutsa /s/ Konstantinos Kontopoulos
Witness to all the above signatures Name: Mary Claire Macatigbak Address: 47-49 Akti Miaouli 185 36 Piraeus Greece	)))	 /s/ Mary Claire Macatigbak

Exhibit 8.1

List of Subsidiaries

Subsidiary	**Country of Incorporation**
Pantelis Shipping Corp.	Liberia
Eirini Shipping Ltd.	Liberia
Ultra One Shipping Ltd.	Liberia
Kamsarmax One Shipping Ltd.	Marshall Islands
Kamsarmax Two Shipping Ltd.	Marshall Islands
Areti Shipping Ltd.	Marshall Islands
Light Shipping Ltd.	Marshall Islands
Blessed Luck Shipowners Ltd.	Liberia
Good Heart Shipping Ltd.	Liberia
Molyvos Shipping Ltd.	Marshall Islands
Santa Cruz Shipowners Ltd.	Liberia

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Aristides J. Pittas, certify that:

1. I have reviewed this annual report on Form 20-F of EuroDry Ltd. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 24, 2023

/s/ Aristides J. Pittas
Aristides J. Pittas
Chief Executive Officer

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Anastasios Aslidis, certify that:

1. I have reviewed this annual report on Form 20-F of EuroDry Ltd. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 24, 2023

/s/ Anastasios Aslidis
Anastasios Aslidis
Chief Financial Officer

Exhibit 13.1

CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of EuroDry Ltd. (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Aristides J. Pittas, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 24, 2023

/s/ Aristides J. Pittas
Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of EuroDry Ltd. (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Anastasios Aslidis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 24, 2023

/s/ Anastasios Aslidis
Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-238235 on Form F-3 of our report dated April 24, 2023, relating to the consolidated financial statements of EuroDry Ltd. appearing in this Annual Report on Form 20-F for the year ended December 31, 2022.

/s/ Deloitte Certified Public Accountants S.A.
Athens, Greece
April 24, 2023